STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

SOUTHERN INDIANA GAS AND	)	
ELECTRIC COMPANY	)	
d/b/a VECTREN ENERGY	)	**CAUSE NO. 43839**
DELIVERY OF INDIANA, INC	)	
(VECTREN SOUTH – ELECTRIC)	)	

DIRECT TESTIMONY

OF

GREG A. FOSTER - PUBLIC'S EXHIBIT NO. 5

ON BEHALF OF

THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

JUNE 25, 2010

PRE-FILED TESTIMONY OF GREG A. FOSTER
CAUSE NO. 43839
Southern Indiana Gas and Electric Company d/b/a Vectren South - Electric

I. Introduction And Witness Qualifications

Q: Please state your name and business address.

A: My name is Greg A. Foster, and my business address is 115 W. Washington Street, Suite 1500 South, Indianapolis, Indiana 46204.

Q: By whom are you employed and in what capacity?

A: I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC") as a Utility Analyst in the Electric Division.

Q: Please describe your background and experience.

A: I received a Bachelor of Science degree in Economics from Indiana University in 1992. I have been a Certified Public Accountant since 2004. I was a member of the Indiana CPA Society from 2002 to 2007. After an internship at the Hudson Institute, I spent three years as an analyst for the commercial lending department of NBD Bank, currently known as Regions Bank. In 1996, I left NBD Bank and accepted my first staff accounting position at a medical office. I continued my accounting education and passed the Uniform CPA examination in 1999. I have also held positions in the private sector as Assistant Controller, Controller, and Regional Controller with ADESA, as well as Accounting Manager and Corporate Controller with J.D. Byrider/CNAC. I accepted my current position at the OUCC in January 2007. As part of my continuing education, I attended the National Association of Regulatory Utility Commissioners (NARUC) week long seminar in East Lansing, Michigan, as well as "The

Basics of Cost of Capital" seminar facilitated by New Mexico State University, in Albuquerque, New Mexico.

Q: Do you hold any professional licenses?

A: Yes. I am licensed in the State of Indiana as a Certified Public Accountant.

Q: Have you previously testified before the Indiana Utility Regulatory Commission?

A: Yes. I have testified in a number of dockets before the Indiana Utility Regulatory Commission (IURC or Commission).

Q: What have you done to prepare to testify in this proceeding?

A: I reviewed the petition and testimony filed in this case. I attended the hearing on Southern Indiana Gas and Electric Company's (Petitioner or Vectren South) case-in-chief and reviewed the pertinent hearing transcripts. In addition to a site visit, I also reviewed Petitioner's responses to data requests, annual reports filed with the SEC and other related Commission orders. I met with Vectren South staff to discuss and obtain an understanding of Petitioner's issues in this Cause. Finally, I collaborated with internal OUCC personnel and external consultants regarding issues addressed in this testimony.

Q: What is the scope and purpose of your testimony?

A: I address issues involving Labor and Labor Related Cost. Specifically, I explain the OUCC's position on Petitioner's pro forma adjustments A-20 through A-26.

II. Pro Forma Adjustments

A-20 (Existing Headcount) and A-26 (Additional Employees)

Q: Please describe Petitioner's proposed adjustment A-20 (Existing Headcount).

A: Vectren South's pro forma level is calculated based on the actual number of employees (filled positions) as of June 30, 2009 and level of wage increases, fringe benefits, and payroll taxes expected to be in effect for the twelve months subsequent to the test year.[1] This includes the annualization of a 3.25% contractual wage increase to union employees, effective July 1, 2009. To calculate this pro forma adjustment, Petitioner used the wage rates as of June 30, 2009 for non-union employees, escalated at 3.0%. According to Petitioner's Witness, M. Susan Hardwick, the 3.0% increase was to go into effect on March 1, 2010.

Q: Please describe Petitioner's proposed adjustment A-26 (Additional Employees).

A: Vectren South Adjustment A26 was made to reflect incremental employees added or expected to be added since the end of the test year, primarily related to North American Electric Reliability Corporation (NERC) compliance, as well as incremental contractor expenses related to NERC Compliance.

Vectren South's combined amounts for A20 and A26 are indicated below.

Description	Amount
Labor Adjustments for Existing Headcount – A20	$1,029,917
Additional Employees – A26	$1,203,989
Vectren South Combined A20 and A26 pro forma amount	$2,233,906

Q: What is the OUCC's pro forma adjustment for A20 and A26?

A: After deducting the capitalized portion of labor and applying various allocation percentages for each specific employee, the OUCC's combined pro forma adjustment for A20 and A26 is $1,373,426. This is $860,480 less than Petitioner's combined pro forma adjustments.

Q: Please explain the difference.

A: My pro forma adjustment, like Petitioner's, has two components, Direct Labor and Fringe Loading. I updated Vectren South's pro forma calculation to adjust for fixed, known, and measurable changes as of March 31, 2010. To calculate the Direct Labor for each respective

[1] See Direct Testimony of Vectren South witness, M. Susan Hardwick, Page 15, lines 18-21.

company (Vectren Corporation, Vectren Utility Holdings Incorporated, and Vectren South), for each employee, I updated the annual salary, the amount allocated to Operation and Maintenance (O&M), and the amount allocated to Vectren South Electric for each respective company as of March 31, 2010. In addition to adjusting actual employee levels to account for "additional employees," this update effectively captures the actual pay increases alluded to by Ms. Hardwick in her testimony:

> The wage rates as of June 30, 2009 for non-union employees, escalated at 3.0%, were used in the calculation of the pro-forma adjustment. The 3.0% increase is the amount of the budgeted non-salary increase for 2010 that will go into effect March 1, 2010.[2]

To calculate Fringe Load, I applied Petitioner's pro forma Fringe Benefit Loading rates provided in response to OUCC DR 2 Q-33 (Attachment GAF-1) to my updated Direct Labor amounts for each respective company. This essentially combines Petitioner's adjustments A20 and A26.

Q: Why does the OUCC believe this approach is reasonable?

A: Vectren South's approach includes salaries for employees who have not been hired as of March 31, 2010 (nine months after the close of the test year). Some or all of these additional employees contemplated by Vectren South could be hired after March 31, 2010, the end date on which the OUCC based its review. However, some currently filled positions may be vacated after March 31, 2010. Therefore, the OUCC is willing to review additional fixed, known and measurable adjustments, up to the twelve month cut-off following the test year, provided that all changes for all companies are considered, and not just the additions Petitioner identified. Ratepayers should not pay salaries for employees who have not been

[2] See Direct Testimony of Vectren South witness, M. Susan Hardwick, Page 15, lines 23-26.

hired. The OUCC's approach avoids this problem by using actual data as of March 31, 2010.

Q: Did the OUCC modify Vectren South's pro forma amount for Contractor expense associated with the NERC compliance?

A: No. After reviewing the history and information available, Petitioner's pro forma adjustment appears reasonable. The OUCC's combined pro forma adjustment for A20 and A26 of $1,373,426 includes $493,667of contractor expense.

<u>A-21 (Performance Based Long-Term Compensation Expense)</u>

Q: Please describe Petitioner's proposed adjustment A-21 for Performance Based Long-Term Compensation Expense.

A: Vectren South uses Performance Based Long-Term Compensation (A21), and Performance Based Short-Term Compensation (A22), in addition to direct salaries, as key elements of its total compensation program. I discuss Short-Term Compensation (A22) below.

With adjustment A21, Petitioner attempts to determine the appropriate level of expense associated with restricted stock units. Petitioner's adjustment includes an estimated number of restricted stock units. The adjustment also assumes a 5% return on Petitioner's pro forma Vectren Corporation "Begin Stock" price of $24 to calculate the pro forma $25.20 "End Stock" price.

ProForma - As Filed		Change
Begin Stock Price	$ 24.00	
End Stock Price	$ 25.20	5.0%

Q: Should these predicted stock prices be used as the basis for a fixed, known, and measurable accounting adjustment?

A: No. Over the past 24 months there has been extreme volatility in the stock market. The Dow Jones Industrial ("DOW") has fluctuated from 13,058 on May 2, 2008 to 6,627 on March 6, 2009. Much of the collapse occurred during the test year. According to Petitioner's work papers, "Test year experienced a decline in stock price of 25%. *The test year encompasses the worst periods of the recession.* June 30, 2008 was a near high for Vectren's stock price."[3] (emphasis added) The collapse in the financial market, including Vectren Corporation's stock price, and the recession may have affected the number or value of units issued, exercised or forfeited.

Q: Please discuss the current market.

A: After regaining some ground, the stock market sold off in May, 2010, with the Dow Jones Industrials tumbling below 10,000 briefly, under pressure from Europe's continuing struggles and concerns that the fallout might reach our shores.[4]

Q: What is Vectren Corporation's current stock price?

A: As of June 2, 2010, shares of Vectren stock closed at $22.83. (Attachment GAF-2) This would calculate to a (4.9%) loss under Petitioner's approach, instead of the 5.0% gain that Petitioner assumed.

ProForma - If updated as of 6-2-2010		Change
Begin Stock Price	$ 24.00	
End Stock Price	$ 22.83	-4.9%

Coupling the stock price issues with the attempt to determine the "appropriate amount" of outstanding executive shares makes Petitioner's approach problematic.

Q: What does the OUCC propose?

A: The OUCC proposes to use a five-year average of actual Long-Term Incentive Compensation Expense of $0.9 million. This represents a pro forma increase in Restricted Stock Expense of $195,450 compared to the actual test year amount. This is $880,660 less than Petitioner's

3 Workpapers, Adustment A21, Vectren Corporation Analysis of Restricted Stock Cost- Test Year to Proforma Request, SIGECO Test Year Electric Rate Case, line 6

pro forma adjustment. To calculate the OUCC's pro forma adjustment, I used Petitioner's actual expenses over a five year period provided in response to OUCC DR 2 Q-34-a (Attachment GAF-3). The goal in ratemaking is to establish rates that are just and reasonable on a going forward basis. A five-year average of actual Long-Term Incentive Compensation Expense is a more reasonable approach for establishing a just and reasonable amount. It is clearly superior to Petitioner's approach, which relies on incorrect stock price forecasts as discussed above.

<u>A-22 (Performance Based Short-Term Compensation Expense)</u>

Q: Please describe Petitioner's proposed adjustment A-22 for Performance Based Short-Term Compensation Expense.

A: Vectren South's pro forma adjustment level is set at "target." Vectren South's pro forma adjustment reflects annual performance-based compensation based on "budgeted performance targets" for 2010. The annual plan is based on a weighting of performance measures, such as financial performance, safety, customer satisfaction, and equivalent availability, which are annually approved by Vectren Corporation's Board of Directors.[5]

Q: Historically, how has Vectren South – Electric's short-term compensation compared to target?

A: First, let me clarify how I will use the term "collectively" below. When I use the term "collectively," I am referring to the entire "portfolio" of performance measures combined. For example, Vectren South could have exceeded safety and customer satisfaction targets and missed financial performance and equivalent availability targets. If the value of the missed targets exceeds the value of the exceeded targets, the "portfolio" would have missed

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[4] The Value Line Investment Survey, Selection & Opinion, June 4, 2010.
[5] See Direct Testimony of Vectren South witness M. Susan Hardwick, Page 18, lines 28-31.

target collectively.

Vectren South has missed target collectively two out of the last three years by an average of 29.1% and three out of the last five years by an average of 26.9%. Moreover, in 2005 Vectren South exceeded its target collectively by only 1.75%.

Short-Term Incentive Compensation Expense
Vectren South - Electric

	Actual Expense *	Target Expense *	Variance to Target ($)	Variance to Target (%)	
2005	$ 2,829,214	$ 2,780,478	$ 48,736	1.75%	Exceeded Target
2006	1,355,521	2,679,764	(1,324,243)	-49.42%	Missed Target
2007	3,615,015	2,863,531	751,484	26.24%	Exceeded Target
2008	933,321	2,785,503	(1,852,182)	-66.49%	Missed Target
2009	1,642,467	3,084,151	(1,441,684)	-46.74%	Missed Target
Three Year Average ('07 - '09)	$ 2,063,601	$ 2,911,062	$ (847,461)	-29.11%	Missed Target
Five Year Average ('05 - '09)	$ 2,075,108	$ 2,838,685	$ (763,578)	-26.90%	Missed Target

* Source: Response to OUCC DR 2 Q-37

Q: Ms. Hardwick states "the level of expense incurred over target is borne by shareholders." Do you agree with this statement?

A: Yes. However, actual expense levels incurred *under* target are borne by the ratepayers. This is a risk with establishing any revenue requirement amount. If amounts set forth in base rates are too high, any difference would fall to the bottom line. Vectren South set its pro forma level for short-term compensation at "target." Based on actual experience over the past five years, this amount will likely overstate revenue requirements.

Q: What does the OUCC propose?

A: The OUCC proposes to use a five-year average of actual Short-Term Incentive Compensation Expense of $2,075,108. This represents a pro forma increase of $161,322 from the actual test year amount. This is $1,092,677 less than Petitioner's pro forma adjustment. A five-year average is better than Petitioner's "target" approach. Petitioner's target levels have historically been missed, collectively two out of the last three years, and three out of the last five years. A five-year average is more realistic and more representative of actual expense.

A-23 (Deferred Compensation Expense)

Q: Please explain Petitioner's adjustment A-23 for Deferred Compensation Expense.

A: Vectren Corporation allows certain employees to defer compensation with a Nonqualified Deferred Compensation Plan ("Plan"). The purpose of this "Plan" is to provide a deferred compensation program for Directors and a select group of management or highly compensated employees who contribute materially to the continued growth, development and future business success of Vectren Corporation. For ratemaking purposes, and to calculate pro forma deferred compensation expense, Vectren South assumes a 5% return on investment over an annual period.

Q: Mr. Foster, when rates are established does the amount of compensation included in revenue requirements include amounts that certain employees may elect to defer?

A: Yes. Revenue requirements generally include the full amount of salaries, including amounts employees may elect to defer. Thus, the potential "principal" amount an employee may invest in the Plan is included in revenue requirements.

Q: When an employee does elect to defer compensation, what does Vectren Corporation do with the money?

A: Under Vectren Corporation's unique, Nonqualified Deferred Compensation Plan, Vectren Corporation uses the cash for many different purposes. According to Vectren South witness Ms. Hardwick "the company is free to use that cash however it sees fit."[6] Vectren Corporation has use of the cash for "general corporate purposes."

Q: Do you mean the money is not actually invested in investment options selected by the

[6] Transcript at E-26, lines 21-23.

employees in the Plan?

A: That's correct. Vectren Corporation can use the cash "however it sees fit". Vectren Corporation does, however, agree to provide a return on the funds as if the funds were invested in whatever investment option the employee selected. For example, the employee could invest in "phantom shares" of Vectren Corporation stock. Under this option, the employee would ultimately get a return commensurate with the return on Vectren Corporation stock even though Vectren Corporation was free in the interim to use the cash however it saw fit.

Vectren Corporation has use of these funds and can invest them "however it sees fit." Petitioner, i.e. Vectren South, seeks to have its ratepayers provide a return on an allocated portion of these funds through "deferred compensation expense." Vectren South has made no showing that it invested these funds in used and useful utility plant or equipment to serve Vectren South – Electric ratepayers. Vectren South cannot tell us how the funds were invested, but Vectren South admits that the funds are available for "general corporate purposes." If Vectren South invested the funds in used and useful electric utility plant, then such investments are reflected in Petitioner's rate base, and it will have the opportunity to earn a return on its rate base. Vectren South ratepayers should not be required to provide another return on these funds through "deferred compensation expense."

Q: Could Vectren Corporation, in theory, invest this cash in an unregulated affiliate, and if so, what would be the implications?

A: Yes. Again, as Ms. Hardwick testified, it can use the cash "however it sees fit". If it invests the cash in an unregulated affiliate, then such an investment does not constitute used and useful utility investment upon which Vectren South ratepayers should be responsible for providing a return. Under that scenario, Vectren Corporation has invested the funds, and it is the responsibility of Vectren Corporation's management to earn a return on the funds in the unregulated side of its business. This would not be part of Vectren South's cost of service.

Q: What does the OUCC propose with respect to deferred compensation expense?

A: Under Vectren Corporation's unique, Nonqualified Deferred Compensation Plan, Vectren Corporation has use of the funds associated with the deferred compensation. If it invests the funds in Vectren South's electric rate base, then it will have the opportunity to earn a return on such investment through the ratemaking process. There is no need to include "deferred compensation expense" as a separate revenue requirement because that would provide a second opportunity for a return. Therefore, the OUCC proposes that deferred compensation expense should not be included in Petitioner's revenue requirement. In accordance with this recommendation, the OUCC's pro forma increase in Deferred Compensation Expense is to normalize test year, by zeroing out deferred compensation expense.

<u>A-24 (Pension Expense) & A-25 (Postretirement Medical Expense)</u>

Q: Please explain Petitioner's A-24 & A-25 adjustments.

A: Petitioner requests an increase of $453,438 for its pension expense and an increase of $18,516 for post-retirement medical expense. The annual level of pension and post-retirement benefits expense was estimated by the Company's actuary, Diversified Investment Advisors, Inc. The expense estimates are based on actuarial calculations using census data and actuarial assumptions that are included in the 2009 Plan Year actuarial valuations.[7]

Q: Do you accept Petitioner's approach as reasonable?

A: Yes. The use of an actuary to calculate pension and post retirement benefits expense is reasonable. Following Petitioner's methodology, my pro forma adjustments reflect the

[7] See Direct Testimony of Vectren South witness M. Susan Hardwick, Page 20, lines 30-32.

annual level of pension and post retirement benefits expense estimated by the Company's actuary in the more recent 2010 Plan Year actuarial valuations. The OUCC's pro forma Pension Expense amount is $1,736,911. This represents a pro forma decrease of $68,661. This is $522,099 less than Petitioner's pro forma adjustments. The OUCC's pro forma Postretirement Medical Expense amount is $1,220,870. This represents a pro forma increase of $120,520. This is $102,003 greater than Petitioner's pro forma adjustments. The Company's 2010 Plan actuary reports for Pension and Postretirement are attachments GAF-4 and GAF-5, respectively. The difference between my pro forma adjustments and Petitioner's reflects my use of a more up to date actuarial report, which was not available to Petitioner when it prepared it case-in-chief.

Q: Does this conclude your testimony?

A: Yes.

Vectren South - Electric
Fringe Benefit Loading Rates Derivation
Data Request No. 2 Q-33
Cause No. 43839

DR 2 Q-32. Please provide detailed workpapers and supporting documentation for the fringe benefit loader applied to current annualized wages. Please provide support for the changes from the test year level.

DR 2 Q-33. Please provide a breakdown of test year and current annualized fringe benefits according to the individual elements of cost included in the Fringe Load.

	Pro-Forma Level	12 Mos Ended June 30, 2009
Health	24,009,814	22,004,568
Dental/Vision	1,503,168	1,353,518
Life/Ltd/Std/AD&D	1,819,295	1,625,433
Employee Contributions	(9,208,107)	(7,906,110)
Tuition/Exec/Other Reimb	526,301	410,743
Total Health/Dental/Life/Other	18,650,471	17,488,152
Total Wages	121,080,000	118,624,036
Health/Dental/Life/Other Loading Rate	**15.40%**	**14.74%**
Payroll Taxes	9,100,000	9,004,902
Total Wages	121,080,000	118,624,036
Payroll Taxes Loading Rate	**7.52%**	**7.59%**
401K Match Non Union	1,641,903	1,479,067
401K Match Union	977,434	955,933
401K Savings	1,836,407	1,685,852
Total 401K	4,455,744	4,120,852
Total Wages	121,080,000	118,624,036
401K Loading Rate	**3.68%**	**3.47%**
Indirects (Vacation, Holiday, Sick, etc.)	11,119,000	11,036,141
Add:		
Health/Dental/Life/Other Loading Rate	1,712,707	1,627,003
Payroll Taxes Loading Rate	835,670	837,768
401K Loading Rate	409,179	383,382
Pension/Post Retirement Health Rate	1,405,442	1,199,629
Total Non Productive Costs	15,481,998	15,083,922
Total Non-Productive Eligible Wages	71,262,000	69,760,632
Non-Productive Loading Rate	**21.73%**	**21.62%**

Cause No. 43839
Attachment GAF-2
Page 1 of 1

Vectren Corporation historical prices Watch this stock

Show: **Daily** | Weekly Jun 4, 2009 - Jun 3, 2010 Update

Date	Open	High	Low	Close	Volume
Jun 2, 2010	22.79	22.86	22.57	22.83	468,836
Jun 1, 2010	23.01	23.10	22.63	22.63	426,676
May 31, 2010	23.05	23.05	23.05	23.05	0
May 28, 2010	23.04	23.27	22.95	23.05	333,482
May 27, 2010	22.95	23.10	22.72	23.10	286,250
May 26, 2010	22.61	22.85	22.44	22.57	382,521
May 25, 2010	22.15	22.49	21.77	22.45	410,341
May 24, 2010	22.66	22.96	22.47	22.64	387,765
May 21, 2010	22.13	22.72	22.10	22.71	521,875
May 20, 2010	22.88	23.01	22.41	22.41	526,141
May 19, 2010	23.59	23.72	23.14	23.24	620,519
May 18, 2010	24.15	24.29	23.68	23.72	351,285
May 17, 2010	23.99	24.17	23.49	24.01	377,038
May 14, 2010	24.14	24.24	23.86	23.95	299,076
May 13, 2010	24.34	24.52	24.15	24.33	159,811
May 12, 2010	24.12	24.40	23.90	24.32	305,252
May 11, 2010	23.86	24.74	23.71	24.50	397,291
May 10, 2010	24.13	24.29	23.58	24.03	309,018
May 7, 2010	23.74	24.18	23.13	23.25	641,828
May 6, 2010	24.52	24.79	21.66	23.70	552,204
May 5, 2010	24.96	25.10	24.57	24.67	294,378
May 4, 2010	25.17	25.25	24.84	25.00	246,874
May 3, 2010	25.10	25.39	24.89	25.35	288,855
Apr 30, 2010	25.11	25.36	24.96	25.01	473,638
Apr 29, 2010	25.14	25.25	24.94	25.16	194,712
Apr 28, 2010	24.85	25.12	24.80	25.08	141,338
Apr 27, 2010	25.02	25.31	24.78	24.83	293,447
Apr 26, 2010	25.28	25.41	25.14	25.18	195,853
Apr 23, 2010	25.16	25.44	25.09	25.25	357,793
Apr 22, 2010	24.63	25.11	24.61	25.11	275,047

Show rows: 30 1 - 30 of 258 rows

DR 2 Q-37. Please provide a comparison of target and actual incentive compensation expense for each of the years 2005 through 2009.

Response:

Incentive Compensation
Expense
Vectren South-Electric

	Actual Expense	Target Expense
2005	2,829,214	2,780,478
2006	1,355,521	2,679,764
2007	3,615,015	2,863,531
2008	933,321	2,785,503
2009	1,642,467	3,084,151

DR 2 Q-41. With regard to the pension cost estimates presented on pages 144-147 of the revenue requirement workpapers:

a. Please indicate when those estimates were prepared if other than February 2009.

b. Please provide updated 2009 plan year costs and projected 2010 plan year estimates based on the actual 2009 plan year results.

Response:

a. **Estimates were based off of actuary reports for the 2009 plan year costs that were received from the Actuary in February 2009. Those costs approximate $9.6 million. Please reference the documents provided in MSFR 8A-15, starting on Page 1 of 95.**

b. **Plan year costs in 2009 were $9.6 million, consistent with the amount used to generate the proforma adjustment. Copies of the actuary reports for the four plans documenting 2009 plan year costs and estimates for 2010 are attached. Please see attached documents titled DR Q-41 Response 1; DR Q-41 Response 2; DR Q-41 Response 3; DR Q-41 Response 4**

Vectren South-Electric
Cause No. 43839
Response to OUCC Data Request #2

Attachment
DR2 Q-41 Response 1

Pension Plan for Hourly Employees of Southern Indiana Gas and Electric Company

Pension Expense and Financial Disclosure for the Fiscal Year Ended December 31, 2009

and

Preliminary Net Periodic Pension Cost for the Fiscal Year Ending December 31, 2010

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SECTION I

ACTUARIAL CERTIFICATION

Purpose of Report

This report presents the results of the financial disclosure information for the Pension Plan for Hourly Employees of Southern Indiana Gas and Electric Company for the fiscal year ended December 31, 2009 in accordance with the accounting requirements under Statements of Financial Accounting Standards Nos. 87, 88 and 158. The end of year liabilities are based on a 6.00% discount rate. In addition, we have calculated the preliminary FAS 87 Net Periodic Pension Cost (Expense) for the fiscal year ending December 31, 2010. This amount can be considered final, unless there are any material changes affecting the Plan during the current fiscal year such as a change in the benefits provided or a significant change in the covered population or contributions to the Plan, which may require a re-measurement for the changes. Section II contains a summary of the results of the disclosure report.

Methodology

The actuarial assumptions were selected by the company subject to the concurrence of its auditors. Plan asset information is summarized in Section VII. Census data is summarized in Sections VIII and IX. The Actuarial Assumptions are summarized in Section X. The Plan Provisions are summarized in Section XI.

Actuarial Certification of Assumptions and Methods

This report has been prepared in accordance with generally accepted actuarial principles and practices. The accounting calculations in the report are consistent with our understanding of the provisions of FAS Nos. 87, 88 and 158.

Francis P. Carberry

January 29, 2010

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Date

Matthew C Burley

January 29, 2010

Peer Review by: Matthew C. Burley, A.S.A., E.A., M.A.A.A.
Vice President, Senior Consulting Actuary
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Date

SECTION II

PRINCIPAL RESULTS

A. Comparative Summary of Disclosure	Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
(1) Projected benefit obligation	$ 73,179,389	$ 68,354,520
(2) Fair value of plan assets	54,587,773	38,726,733
(3) Funded status	(18,591,616)	(29,627,787)
(4) Accumulated other comprehensive income	17,573,693	24,612,984
(5) Net amount recognized	(1,017,923)	(5,014,803)
(6) Market-related value of assets	54,587,773	38,726,733
(7) Final net periodic pension cost	4,341,118	1,098,582
(8) Accumulated benefit obligation	$ 65,112,305	$ 59,757,674
(9) Discount rate	6.00%	6.25%

B. Comparative Summary of Net Periodic Pension Cost	Fiscal Year Ending December 31, 2010	Fiscal Year Ending December 31, 2009
(1) Net periodic pension cost	$ 2,733,297	$ 4,341,118
(2) Discount rate	6.00%	6.25%

SECTION III

FAS 158 DISCLOSURE

		Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
A.	**Change in Projected Benefit Obligation**		
(1)	Projected benefit obligation at beginning of year	$ 68,354,520	$ 61,085,221
(2)	Service cost	1,741,619	2,000,009
(3)	Interest cost	4,202,845	4,675,727
(4)	Participant contributions	0	0
(5)	Plan amendments	49,350	263,925
(6)	Acquisitions/divestitures	0	0
(7)	Exchange rate changes	0	0
(8)	Curtailment (gain) or loss	0	0
(9)	Settlement (gain) or loss	0	0
(10)	Special termination benefits	0	0
(11)	Benefits paid	(2,174,243)	(2,563,030)
(12)	Settlement payments	0	0
(13)	Actuarial (gain) or loss	1,005,298	2,892,668
(14)	Projected benefit obligation at end of year	$ 73,179,389	$ 68,354,520
B.	**Change in Plan Assets**		
(1)	Fair value of plan assets at beginning of year	$ 38,726,733	$ 49,116,558
(2)	Actual return on plan assets	9,697,283	(14,737,795)
(3)	Acquisitions/divestitures	0	0
(4)	Employer contributions	8,338,000	6,911,000
(5)	Participant contributions	0	0
(6)	Benefits paid	(2,174,243)	(2,563,030)
(7)	Settlement payments	0	0
(8)	Administrative expenses	0	0
(9)	Asset transfer	0	0
(10)	Fair value of plan assets at end of year	$ 54,587,773	$ 38,726,733
C.	**Funded Status at End of Year:** B(10) – A(14)	$ (18,591,616)	$ (29,627,787)

SECTION III

FAS 158 DISCLOSURE
(continued)

		Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
D.	Amounts Recognized in the Statement of Financial Position Consist of:		
	(1) Noncurrent assets	$ 0	$ 0
	(2) Current liabilities	0	0
	(3) Noncurrent liabilities	(18,591,616)	(29,627,787)
	(4) Total	$ (18,591,616)	$ (29,627,787)
E.	Amounts Recognized in Accumulated Other Comprehensive Income (AOCI) Consist of:		
	(1) Net (gain) or loss	$ 17,074,282	$ 24,078,510
	(2) Prior service cost	499,411	534,474
	(3) Transition (asset) obligation	0	0
	(4) Accumulated other comprehensive income	$ 17,573,693	$ 24,612,984
F.	Accumulated Benefit Obligation	$ 65,112,305	$ 59,757,674
G.	Components of Net Periodic Pension Cost		
	(1) Service cost	$ 1,741,619	$ 1,600,007
	(2) Interest cost	4,202,845	3,740,582
	(3) Expected return on plan assets	(3,314,463)	(4,301,521)
	(4) Amortization of transition (asset) or obligation	0	0
	(5) Amortization of prior service cost	84,413	59,514
	(6) Amortization of net (gain) or loss	1,626,704	0
	(7) Curtailment (gain) or loss	0	0
	(8) Settlement (gain) or loss	0	0
	(9) Special termination benefits	0	0
	(10) Net periodic pension cost	$ 4,341,118	$ 1,098,582

SECTION III

FAS 158 DISCLOSURE
(continued)

H. Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income (OCI)	Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
(1) Net (gain) or loss	$ (7,004,228)	$ 23,007,358
(2) Prior service cost	49,350	263,925
(3) Amortization of prior service cost	(84,413)	(74,394)
(4) Amortization of transition (asset) or obligation	0	0
(5) Total recognized in other comprehensive income	(7,039,291)	23,196,889
(6) Total recognized in net periodic benefit cost and OCI	$ (2,698,173)	$ 24,570,116

I. Estimated Amortizations from the AOCI into Net Periodic Pension Cost Over the Next Fiscal Year		
(1) Amortization of net (gain) or loss	$ 946,299	$ 1,626,704
(2) Amortization of prior service cost	85,398	84,413
(3) Amortization of transition (asset) or obligation	$ 0	$ 0

SECTION III

FAS 158 DISCLOSURE
(continued)

	Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
Weighted-average assumptions used to determine benefit obligations		
Measurement date	December 31, 2009	December 31, 2008
Discount rate	6.00%	6.25%
Rate of compensation increase	3.50%	3.75%
Weighted-average assumptions used to determine net periodic pension cost		
Measurement date	December 31, 2008	December 31, 2007
Discount rate	6.25%	6.25%
Expected long-term rate of return on plan assets	8.25%	8.25%
Rate of compensation increase	3.75%	3.75%

Plan Assets		**Percentage of Plan Assets at December 31**	
Asset Category	**Target Allocation 2010**	**2009**	**2008**
Equity Securities	61%	54%	57%
Debt Securities	35%	36%	38%
Real Estate	0%	3%	3%
Other	4%	7%	2%
Total		100%	100%

Cash Flows		
Contributions	Employer	Participants
2008	$ 6,911,000	$ 0
2009	$ 8,338,000	$ 0
Expected 2010	$ 4,029,000	$ 0
Benefit Payments		
2008	$ 2,563,030	
2009	$ 2,174,243	
Estimated Future Benefit Payments		
2010	$ 2,336,959	
2011	$ 2,491,001	
2012	$ 2,703,421	
2013	$ 2,297,816	
2014	$ 3,325,038	
Years 2015 - 2019	$ 23,854,756	

SECTION IV

RECONCILIATION OF NET AMOUNT RECOGNIZED

		Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
(1)	Net amount recognized at end of prior year	$ (5,014,803)	$ (9,402,568)
(2)	Net periodic pension cost for the fiscal year	4,341,118	1,098,582
(3)	Contributions paid during the fiscal year	8,338,000	5,761,000
(4)	Recognized in retained earnings	N/A	274,646 *
(5)	Adjustment	(2)	(7)
(6)	Net amount recognized at end of current year (1) - (2) + (3) + (4) - (5)	$ (1,017,923)	$ (5,014,803)

* *Reflects adjustment to retained earnings due to change in measurement date from September 30 to December 31.*

SECTION V

DEVELOPMENT OF PRELIMINARY NET PERIODIC PENSION COST

The following calculations were performed in accordance with Statement No. 87 of the Financial Accounting Standards Board (FAS 87) and may be used for purposes of reporting pension cost. The net periodic pension cost, as required and calculated under FAS 87 will be charged against income, and it will also be disclosed in a footnote to the Company's financial statements.

Actuarial computations under FAS 87 are for purposes of fulfilling employer financial accounting requirements. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results reported herein.

A. Net Periodic Pension Cost		Preliminary Fiscal Year Ending December 31, 2010	Final Fiscal Year Ending December 31, 2009
(1)	Service cost	$ 1,828,152	$ 1,741,619
(2)	Interest cost	4,321,675	4,202,845
(3)	Expected return on assets	4,448,227	3,314,463
(4)	Amortization of transition (asset) or obligation from item B	0	0
(5)	Amortization of prior service cost from item C	85,398	84,413
(6)	Recognition of (gain) or loss from item D(13)	946,299	1,626,704
(7)	Net periodic pension cost: (1) + (2) - (3) + (4) + (5) + (6)	$ 2,733,297	$ 4,341,118

SECTION V

DEVELOPMENT OF PRELIMINARY NET PERIODIC PENSION COST
(continued)

B. Amortization of Transition (Asset) or Obligation

None.

C. Amortization of Prior Service Cost

Date Established	Unrecognized Amount December 31, 2009	Remaining Years in Amortization Period	Amount to be Recognized During 2010
-	$ 116,251	5.71	$ 20,373
-	66,247	2.67	24,812
-	5,017	0.75	5,017
-	745	0.26	745
-	10,859	3.43	3,166
-	10,800	7.53	1,434
-	1,116	6.76	165
1/1/2009	239,026	9.60	24,899
1/1/2010	49,350	10.31	4,787
	$ 499,411		$ 85,398

SECTION V

DEVELOPMENT OF PRELIMINARY NET PERIODIC PENSION COST
(continued)

D. Development and Recognition of (Gain) or Loss		Fiscal Year Ending December 31, 2010
(1)	Projected benefit obligation	$ 73,179,389
(2)	Fair value of assets	54,587,773
(3)	Unrecognized transition (asset) or obligation	0
(4)	Unrecognized prior service cost	499,411
(5)	(Accrued) or prepaid pension expense	(1,017,923)
(6)	Unrecognized (gain) or loss: (1) – (2) – (3) – (4) + (5)	17,074,282
(7)	(Gain) or loss not reflected in market-related value	
	(a) Fair value of assets	54,587,773
	(b) Market-related value of assets	54,587,773
	(c) Amount not reflected in market-related value of assets: (a) – (b)	0
(8)	(Gain) or loss subject to amortization: (6) + (7)(c)	17,074,282
(9)	Greater of (1) or (7)(b)	73,179,389
(10)	10% of (9)	7,317,939
(11)	(Gain) or loss, subject to recognition: excess of absolute value of (8) over (10), not less than zero	$ 9,756,343
(12)	Average future service of plan participants expected to receive benefits	10.31 years
(13)	Amount to recognize for the year: (11) ÷ (12)	$ 946,299

SECTION VI

QUARTERLY NET PERIODIC PENSION COST

Quarterly Net Periodic Pension Cost		Fiscal Year Ending December 31, 2010
(1)	Service cost	$ 457,038
(2)	Interest cost	1,080,419
(3)	Expected return on assets	1,112,057
(4)	Net amortizations	257,925
(5)	Quarterly net periodic pension cost: (1) + (2) – (3) + (4)	$ 683,324

SECTION VII

DEVELOPMENT OF MARKET-RELATED VALUE OF ASSETS

The Market-Related Value of Assets is equal to the Fair Value of Assets.

SECTION VIII

RECONCILIATION OF PLAN PARTICIPANTS

	Active Plan Members	Plan Members with Deferred Benefits	Plan Members Receiving Benefits	Total Number of Plan Members
As of July 1, 2008	**330**	**167**	**233**	**730**
New entrants	10	N/A	N/A	10
Rehires	0	0	0	0
Terminations with vesting	(2)	2	N/A	0
Terminations without vesting	(1)	N/A	N/A	(1)
Retirements	(7)	(3)	10	0
Disability retirements	0	0	0	0
Lump sums paid	0	0	0	0
Deaths	0	(1)	(13)	(14)
Survivors (with benefits)	N/A	0	6	6
Expiration of benefits	N/A	N/A	0	0
Transfers in	0	N/A	N/A	0
Transfers out	0	0	N/A	0
Adjustments	0	3	2	5
Net change	0	1	5	6
As of July 1, 2009	**330**	**168**	**238**	**736**

SECTION IX

AGE/SERVICE DISTRIBUTION OF ACTIVE PLAN PARTICIPANTS
(as of January 1, 2009)

	.... Completed Years of Credited Service										
Age	0 to 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 +	Total
0 - 24 *Avg. Comp.*	0	1	0	0	0	0	0	0	0	0	1
25 - 29	0	4	0	0	0	0	0	0	0	0	4
30 - 34	0	7	0	1	0	0	0	0	0	0	8
35 - 39	0	7	0	4	3	0	0	0	0	0	14
40 - 44	0	2	1	3	7	6	0	0	0	0	19
5 - 49	0	2	1	4	12	16	36	6	0	0	77
50 - 54	0	1	1	3	5	12	30	48	3	0	103
55 - 59	0	0	0	2	1	5	14	30	27	1	80
60 - 64	0	0	0	0	1	4	7	4	2	5	23
65 - 69	0	0	0	0	0	0	0	1	0	0	1
70 & Up	0	0	0	0	0	0	0	0	0	0	0
Totals	0	24	3	17	29	43	87	89	32	6	330

SECTION X

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS

A. ACTUARIAL COST METHOD

The actuarial cost method used to calculate the costs and liabilities of the plan is the Projected Unit Credit Actuarial Cost Method. Under this method, the service cost and projected benefit obligation (PBO) are both based on an accrual of projected benefits over the period for which benefits are accrued. The service cost is the actuarial present value of one year's benefit accrual on this basis. The PBO for active participants is the actuarial present value of the projected benefit times the ratio of past service to total service. The PBO for retired and terminated vested participants is equal to the actuarial present value of the accrued benefit.

B. ASSET VALUATION METHOD

The market-related value of assets is equal to the fair value of assets.

C. VALUATION PROCEDURES

The valuation is based on employee and financial data provided by the company and trustee, respectively, and summarized in this report. A plan's actuary would not customarily verify this data. We have reviewed the information for internal consistency and we have no reason to doubt its substantial accuracy.

All employees who are participants in the plan on the valuation date are included in the actuarial valuation.

D. ACTUARIAL ASSUMPTIONS (as of December 31, 2009 Measurement Date)

Principal Rates	
Discount rate	6.00% (previously, 6.25%).
Expected long-term rate of return on assets	8.00% (previously, 8.25%).
Compensation increases	3.50% (previously, 3.75%).
IRC maximum benefit and compensation limitation increases	3.00% (previously, 3.50%).
Wage base increases	3.50% (unchanged).
Interest Credit for Account Balances	5.50% (previously, 6.00%).
Pre- and Post-Retirement Mortality	2009 Static mortality table in accordance with IRS Regulation 1.430(h)(3)-1 (previously, 2008 static mortality table).

SECTION X

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS
(continued)

D. ACTUARIAL ASSUMPTIONS (cont'd)

Withdrawal Rates

The ultimate rates of termination are based on rates from Sarason's T-3 table of the Actuary's Pension Handbook. Sample termination rates are as follows:

Age	Rate (%)
20	6.58
25	5.27
30	4.83
35	4.47
40	3.84
45	3.21
50	1.52
55	0.33

IRC Maximum Benefit and Compensation Limitations

Benefit Limit — $195,000 for 2009 (previously, $185,000).

Compensation Limit — $245,000 for 2009 (previously, $230,000).

Retirement Age

Retirement rates for active participants are as follows:

Age	Rate (%)
55 – 59	2
60 – 61	5
62	35
63 – 64	25
65	100

Terminated vested participants are assumed to retire at age 65 and surviving spouses are assumed to commence benefits as of the participant's age 65.

Disability Rates

None assumed.

Form of payment

All benefits are assumed to be paid as a life annuity, except that lump sum payments are assumed for all account balance benefits.

SECTION X

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS
(continued)

D. ACTUARIAL ASSUMPTIONS (cont'd)

Marital Assumption	It is assumed that 90% of all active participants are married. Husbands are assumed to be three years older than their wives.
Plan Expenses	None assumed.

SECTION XI

SUMMARY OF PLAN PROVISIONS

Effective Date	The plan was most recently amended effective September 24, 2009.
Plan Year	The twelve-month period ending June 30.
Covered Employees	
SIGECO	All IBEW 702 employees of SIGECO subject to a collective bargaining agreement providing for coverage under this plan.
Hoosier	All employees subject to a collective bargaining agreement providing for coverage under this plan except for the SIGECO covered employees defined above.
Eligibility	
SIGECO	First day of the month following the attainment of age 21 and completion of 1,000 hours in the first twelve months of employment or in any subsequent plan year.
Hoosier	January or July 1st first following 1,000 hours of employment (100 hours for employees classified as custodian, chart changer, relief clerk, or relief cashier). Effective September 24, 2009, new employees will not be eligible for participation under the plan.
Vesting Service	
SIGECO	Continuous from the later of age 18 and date of hire.
Hoosier	One year of service for each year in which he completes 1,000 hours (100 hours for employees classified as custodian, chart changer, relief clerk, or relief cashier).

SECTION XI

SUMMARY OF PLAN PROVISIONS
(continued)

Credited Service

SIGECO

Service is measured from date of participation in months, with a month of service credited if one hour is worked in that month.

Hoosier

One year of service for each year in which he completes 1,000 hours (100 hours for employees classified as custodian, chart changer, relief clerk, or relief cashier). In any year which a participant does not have the required hours, 1/12 credit is given for each completed month.

Compensation

SIGECO

Regular pay excluding overtime and extraordinary payments before taxes and other items, such as 401(k) or Section 125 deferrals. compensation shall in all cases be limited in accordance with Section 401(a)(17) of the Code.

Hoosier

Total compensation subject to federal withholding including any reductions made to Section 125, 402(a)(8) or 402(h)(1)(B) plans. compensation shall in all cases be limited in accordance with Section 401(a)(17) of the Code.

Final Average Earnings (FAE)

The average of the highest five consecutive plan years in the last ten plan years of compensation.

Social Security Benefit (SSB)

The projected age 65 primary Social Security benefit based in the law in effect at termination and assuming level earnings through age 65.

SECTION XI

SUMMARY OF PLAN PROVISIONS
(continued)

Account Balance	Sum of (1) and (2) accumulated with interest annually under (3):
(1) Pay Credit	For Hoosier participants hired on or after July 30, 2005 and all other participants hired on or after July 1, 2004, each plan year for which a participant completes one year of credited service and is active as of the last day of the Plan Year, the participant shall receive a pay credit of 2.5% of the plan year compensation at the end of the plan year.
(2) Additional Credit	For SIGECO participants hired on or after July 1, 2000 and Hoosier participants hired on or after July 1, 2001, each plan year for which a participant completes one year of credited service, the Participant shall receive an additional credit at the end of the plan year. The additional credit is $310 per plan year.
(3) Interest Credit	Average of 10-year Treasuries for October of the preceding year plus 1% for all active participants.
Normal Retirement Date	The first of the month coincident with or next following age 65.
Normal Retirement Benefit	For participants not eligible for the credit under (1) of the Account Balance section above, monthly annuity equivalent of the Account Balance at normal retirement date plus the following:
SIGECO	One-twelfth of (a), but not less than (b):
	(a) 1.29% of FAE X credited service (maximum 30 years) plus 0.75% of FAE X credited service in excess of 30 (maximum 10 years).
	(b) For participants as of June 30, 1982: The sum of 1.55% of compensation each plan year up to $6,600 plus 2.05% of each plan year's compensation over $6,600.

SECTION XI

SUMMARY OF PLAN PROVISIONS
(continued)

Normal Retirement Benefit (cont'd)

Hoosier	One-twelfth of 1.29% of FAE X credited service (maximum 30 years) plus 0.70% of FAE X credit service in excess of 30 (maximum 10 years). Effective September 24, 2009, one-twelfth of 1.29% of FAE X credited service (maximum 30 years) plus 0.75% of FAE X credit service in excess of 30 (maximum 10 years).

Form of Payment

SIGECO	Single life annuity if the participant has no spouse as of the date of the first payment. Otherwise, benefits are paid in the form of a 50% Joint and Survivor annuity. The optional form is a 100% joint and survivor annuity. Account balances can also be paid as a lump sum.
Hoosier	Single life annuity with 10 years certain if the participant has no spouse as of the date of the first payment. Otherwise, benefits are paid in the form of a 50% joint and survivor annuity. The optional form is a 100% joint and survivor annuity. Account balances can also be paid as a lump sum.

Early Retirement Date

SIGECO	On or after attaining age 55 with 5 years of vesting service.
Hoosier	On or after attaining age 55 with 10 years of vesting service.

Early Retirement Benefit	Monthly annuity equivalent to the account balance at the time of early retirement plus monthly normal retirement benefit without regard to the account balance reduced as noted below:
SIGECO	5% reduction per year from age 55 to 60 and 2% reduction from age 60 to 62.

SECTION XI

SUMMARY OF PLAN PROVISIONS
(continued)

Early Retirement Benefit

Hoosier — 6% reduction per year from age 55 to 60 and 3% reduction from age 60 to 62.

Vesting

SIGECO — Effective January 1, 2008, if a participant terminates employment for reasons other than death or retirement and has attained 3 years of Vesting Service, then he is entitled to 100% of his accrued benefit upon retirement.

Hoosier — Effective January 1, 2008, if a participant terminates employment for reasons other than death or retirement and has attained 2 years of vesting service, then he is entitled to percentage of his accrued benefit upon retirement according to the schedule below:

Years of Vesting Service	Vesting Percentage
2	20%
3	100%

Vested Benefits Upon Termination — Sum of (1) and (2):

(1) Monthly annuity equivalent to the account balance at the time of termination.

(2) Monthly normal retirement benefit without regard to account balance determined as of termination payable at normal retirement date. If eligible, the participant can retire early with a reduced benefit based on 6% reduction per year from age 55 to 60 and 3% reduction from age 60 to 65.

Death Benefit Eligibility — Completion of 3 years of vesting service.

SECTION XI

SUMMARY OF PLAN PROVISIONS
(continued)

Death Benefit	Sum of (a) and (b): (a) Monthly annuity equivalent of account balance at death. (b) 50% of the monthly retirement benefit without regard to the account balance and determined as of the date of death, reduced for payment as early as the participant's 55th birthday and reduced for the 50% joint & survivor election except for SIGECO participants who die on or after attaining age 55 there will be no reduction for the 50% joint & survivor election.
Disability Benefit Eligibility	Total and permanent disability and eligibility for Social Security disability benefits, and either 20 years of vesting service or attainment of age 50 with 15 years of credited service.
Disability Benefit	
SIGECO	$100 per month until normal retirement. At normal retirement, the benefit will be the greater of $100 per month and his monthly pension benefit determined as of his disability date.
Hoosier	Monthly normal retirement benefit determined as of disability payable at normal retirement date or early retirement date, if eligible.
Plan Changes Since Prior Valuation	Effective September 24, 2009, the benefit formula for Hoosier participants was enhanced to provide 0.75% of the Final Average Earnings times credited service in excess of 30 years. Also effective on that date, new Hoosier employees will not be eligible for participation under the plan.

Vectren South-Electric
Cause No. 43839
Response to OUCC Data Request #2

Attachment
DR2 Q-41 Response 2

Vectren Nonqualified SERP and Restoration Plans

Pension Expense and Financial Disclosure for the Fiscal Year Ended December 31, 2009

and

Preliminary Net Periodic Pension Cost for the Fiscal Year Ending December 31, 2010

TABLE OF CONTENTS

SECTION I

ACTUARIAL CERTIFICATION

Purpose of Report
This report presents the results of the financial disclosure information for the Vectren Nonqualified SERP and Restoration Plans for the fiscal year ended December 31, 2009 in accordance with the accounting requirements under Statements of Financial Accounting Standards Nos. 87, 88 and 158. The end of year liabilities are based on a 6.00% discount rate. In addition, we have calculated the preliminary FAS 87 Net Periodic Pension Cost (Expense) for the fiscal year ending December 31, 2010. This amount can be considered final, unless there are any material changes affecting the Plan during the current fiscal year such as a change in the benefits provided or a significant change in the covered population or contributions to the Plan, which may require a re-measurement for the changes. Section II contains a summary of the results of the disclosure report.

Methodology
The actuarial assumptions were selected by the company subject to the concurrence of its auditors. Plan asset information is summarized in Section VII. Census data is summarized in Sections VIII and IX. The Actuarial Assumptions are summarized in Section X. The Plan Provisions are summarized in Section XI.

Actuarial Certification of Assumptions and Methods
This report has been prepared in accordance with generally accepted actuarial principles and practices. The accounting calculations in the report are consistent with our understanding of the provisions of FAS Nos. 87, 88 and 158.

Francis P. Carberry

January 29, 2010

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Date

Matthew C Burley

January 29, 2010

Peer Review by: Matthew C. Burley, A.S.A., E.A., M.A.A.A.
Vice President, Senior Consulting Actuary
Phone: (617) 663-1214
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Date

SECTION II

PRINCIPAL RESULTS

A. Comparative Summary of Disclosure	Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
(1) Projected benefit obligation	$ 14,696,273	$ 14,556,546
(2) Fair value of plan assets	0	0
(3) Funded status	(14,696,273)	(14,556,546)
(4) Accumulated other comprehensive income	3,110,264	3,725,968
(5) Net amount recognized	(11,586,009)	(10,830,578)
(6) Market-related value of assets	0	0
(7) Final net periodic pension cost	1,484,810	1,297,043
(8) Accumulated benefit obligation	$ 13,836,900	$ 13,377,340
(9) Discount rate	6.00%	6.25%

B. Comparative Summary of Net Periodic Pension Cost	Fiscal Year Ending December 31, 2010	Fiscal Year Ending December 31, 2009
(1) Net periodic pension cost	$ 1,405,616	$ 1,484,810
(2) Discount rate	6.00%	6.25%

SECTION III

FAS 158 DISCLOSURE

		Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
A.	Change in Projected Benefit Obligation		
	(1) Projected benefit obligation at beginning of year	$ 14,556,546	$ 13,307,785
	(2) Service cost	364,951	400,728
	(3) Interest cost	886,946	1,003,325
	(4) Participant contributions	0	0
	(5) Plan amendments	0	0
	(6) Acquisitions/divestitures	0	0
	(7) Exchange rate changes	0	0
	(8) Curtailment (gain) or loss	0	0
	(9) Settlement (gain) or loss	0	0
	(10) Special termination benefits	0	0
	(11) Benefits paid	(729,380)	(941,756)
	(12) Settlement payments	0	0
	(13) Actuarial (gain) or loss	(382,790)	786,464
	(14) Projected benefit obligation at end of year	$ 14,696,273	$ 14,556,546
B.	Change in Plan Assets		
	(1) Fair value of plan assets at beginning of year	$ 0	$ 0
	(2) Actual return on plan assets	0	0
	(3) Acquisitions/divestitures	0	0
	(4) Employer contributions	729,380	941,756
	(5) Participant contributions	0	0
	(6) Benefits paid	(729,380)	(941,756)
	(7) Settlement payments	0	0
	(8) Administrative expenses	0	0
	(9) Asset transfer	0	0
	(10) Fair value of plan assets at end of year	$ 0	$ 0
C.	Funded Status at End of Year: B(10) – A(14)	$ (14,696,273)	$ (14,556,546)

SECTION III

FAS 158 DISCLOSURE
(continued)

		Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
D.	Amounts Recognized in the Statement of Financial Position Consist of:		
	(1) Noncurrent assets	$ 0	$ 0
	(2) Current liabilities	(728,518)	(730,821)
	(3) Noncurrent liabilities	(13,967,755)	(13,825,725)
	(4) Total	$ (14,696,273)	$ (14,556,546)
E.	Amounts Recognized in Accumulated Other Comprehensive Income (AOCI) Consist of:		
	(1) Net (gain) or loss	$ 2,073,735	$ 2,565,316
	(2) Prior service cost	1,036,529	1,160,652
	(3) Transition (asset) obligation	0	0
	(4) Accumulated other comprehensive income	$ 3,110,264	$ 3,725,968
F.	Accumulated Benefit Obligation	$ 13,836,900	$ 13,377,340
G.	Components of Net Periodic Pension Cost		
	(1) Service cost	$ 364,951	$ 320,582
	(2) Interest cost	886,946	802,660
	(3) Expected return on plan assets	0	0
	(4) Amortization of transition (asset) or obligation	0	0
	(5) Amortization of prior service cost	124,123	124,123
	(6) Amortization of net (gain) or loss	108,790	49,678
	(7) Curtailment (gain) or loss	0	0
	(8) Settlement (gain) or loss	0	0
	(9) Special termination benefits	0	0
	(10) Net periodic pension cost	$ 1,484,810	$ 1,297,043

SECTION III

FAS 158 DISCLOSURE
(continued)

		Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
H.	Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income (OCI)		
	(1) Net (gain) or loss	$ (491,581)	$ 724,356
	(2) Prior service cost	0	0
	(3) Amortization of prior service cost	(124,123)	(155,154)
	(4) Amortization of transition (asset) or obligation	0	0
	(5) Total recognized in other comprehensive income	(615,704)	569,202
	(6) Total recognized in net periodic benefit cost and OCI	$ 869,106	$ 2,190,506
I.	Estimated Amortizations from the AOCI into Net Periodic Pension Cost Over the Next Fiscal Year		
	(1) Amortization of net (gain) or loss	$ 62,343	$ 108,790
	(2) Amortization of prior service cost	124,123	124,123
	(3) Amortization of transition (asset) or obligation	$ 0	$ 0

SECTION III

FAS 158 DISCLOSURE
(continued)

	Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
Weighted-average assumptions used to determine benefit obligations		
Measurement date	December 31, 2009	December 31, 2008
Discount rate	6.00%	6.25%
Rate of compensation increase	3.50%	3.75%
Weighted-average assumptions used to determine net periodic pension cost		
Measurement date	December 31, 2008	September 30, 2007
Discount rate	6.25%	6.25%
Expected long-term rate of return on plan assets	N/A	N/A
Rate of compensation increase	3.75%	3.75%

Plan Assets	Target Allocation	Percentage of Plan Assets at December 31	
Asset Category	2010	2009	2008
Equity Securities	N/A	N/A	N/A
Debt Securities	N/A	N/A	N/A
Real Estate	N/A	N/A	N/A
Other	N/A	N/A	N/A
Total		N/A	N/A

Cash Flows		
Contributions	Employer	Participants
2008	$ 941,756	$ 0
2009	$ 729,380	$ 0
Expected 2010	$ 728,518	$ 0
Benefit Payments		
2008	$ 941,756	
2009	$ 729,380	
Estimated Future Benefit Payments		
2010	$ 728,518	
2011	$ 1,430,124	
2012	$ 1,112,554	
2013	$ 1,161,884	
2014	$ 1,128,812	
Years 2015 - 2019	$ 6,278,806	

SECTION IV

RECONCILIATION OF NET AMOUNT RECOGNIZED

		Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
(1)	Net amount recognized at end of prior year	$ (10,830,578)	$ (9,962,241)
(2)	Net periodic pension cost for the fiscal year	1,484,810	1,297,043
(3)	Contributions paid during the fiscal year	729,380	752,968
(4)	Recognized in Retained Earnings *	N/A	324,261
(5)	Adjustment	(1)	(1)
(4)	Net amount recognized at end of current year (1) - (2) + (3) - (4) + (5)	$ (11,586,009)	$ (10,830,578)

* *Reflects adjustment to Retained Earnings due to the change in measurement date from September 30 to December 31.*

SECTION V

DEVELOPMENT OF PRELIMINARY NET PERIODIC PENSION COST

The following calculations were performed in accordance with Statement No. 87 of the Financial Accounting Standards Board (FAS 87) and may be used for purposes of reporting pension cost. The net periodic pension cost, as required and calculated under FAS 87 will be charged against income, and it will also be disclosed in a footnote to the Company's financial statements.

Actuarial computations under FAS 87 are for purposes of fulfilling employer financial accounting requirements. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results reported herein.

A. Net Periodic Pension Cost		Preliminary Fiscal Year Ending December 31, 2010	Final Fiscal Year Ending December 31, 2009
(1)	Service cost	$ 358,911	$ 364,951
(2)	Interest cost	860,239	886,946
(3)	Expected return on assets	0	0
(4)	Amortization of transition (asset) or obligation from item B	0	0
(5)	Amortization of prior service cost from item C	124,123	124,123
(6)	Recognition of (gain) or loss from item D(13)	62,343	108,790
(7)	Net periodic pension cost: (1) + (2) – (3) + (4) + (5) + (6)	$ 1,405,616	$ 1,484,810

SECTION V

DEVELOPMENT OF PRELIMINARY NET PERIODIC PENSION COST
(continued)

B. Amortization of Transition (Asset) or Obligation

None.

C. Amortization of Prior Service Cost

Date Established	Unrecognized Amount December 31, 2009	Remaining Years in Amortization Period	Amount to be Recognized During 2010
Not Provided	$ 772,044	8.00	$ 96,471
Not Provided	264,485	9.56	27,652
	$ 1,036,529		$ 124,123

SECTION V

DEVELOPMENT OF PRELIMINARY NET PERIODIC PENSION COST
(continued)

D. Development and Recognition of (Gain) or Loss		Fiscal Year Ending December 31, 2010
(1)	Projected benefit obligation	$ 14,696,273
(2)	Fair value of assets	0
(3)	Unrecognized transition (asset) or obligation	0
(4)	Unrecognized prior service cost	1,036,529
(5)	(Accrued) or prepaid pension expense	(11,586,009)
(6)	Unrecognized (gain) or loss: (1) – (2) – (3) – (4) + (5)	2,073,735
(7)	(Gain) or loss not reflected in market-related value	
	(a) Fair value of assets	0
	(b) Market-related value of assets	0
	(c) Amount not reflected in market-related value of assets: (a) – (b)	0
(8)	(Gain) or loss subject to amortization: (6) + (7)(c)	2,073,735
(9)	Greater of (1) or (7)(b)	14,696,273
(10)	10% of (9)	1,469,627
(11)	(Gain) or loss, subject to recognition: excess of absolute value of (8) over (10), not less than zero	$ 604,108
(12)	Average future service of plan participants expected to receive benefits	9.69 years
(13)	Amount to recognize for the year: (11) ÷ (12)	$ 62,343

SECTION VI

QUARTERLY NET PERIODIC PENSION COST

Quarterly Net Periodic Pension Cost		Fiscal Year Ending December 31, 2010
(1)	Service cost	$ 89,728
(2)	Interest cost	215,060
(3)	Expected return on assets	0
(4)	Net amortizations	46,616
(5)	Quarterly net periodic pension cost: (1) + (2) – (3) + (4)	$ 351,404

SECTION VII

DEVELOPMENT OF MARKET-RELATED VALUE OF ASSETS

The Plan is not funded.

SECTION VIII

RECONCILIATION OF PLAN MEMBERS

A. Active Plan Members

	As of January 1, 2009	17
+	New entrants and rehires	0
-	Terminations with vesting	0
-	Terminations without vesting	0
-	Retirements	0
-	Lump sum paid/Annuity Purchased	0
-	Disabilities	0
-	Deaths	0
+	Net Transfers	0
-	Adjustments/Data Corrections	0
=	Active Plan Members on January 1, 2010	17

B. Retired Plan Members and Beneficiaries

	As of January 1, 2009	12
+	New retirements and beneficiaries	1
-	Benefits Expired	0
-	Deaths	1
-	Lump sum paid/Annuity Purchased	0
-	Rehires	0
+	Adjustments/Data Corrections	0
=	Retired Plan Members and Beneficiaries on January 1, 2010	12

C. Total Number of Plan Members

As of January 1, 2010	29

SECTION IX

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS

A. ACTUARIAL COST METHOD

The actuarial cost method used to calculate the costs and liabilities of the plan is the Projected Unit Credit Actuarial Cost Method. Under this method, the service cost and projected benefit obligation (PBO) are both based on an accrual of projected benefits over the period for which benefits are accrued. The service cost is the actuarial present value of one year's benefit accrual on this basis. The PBO for active participants is the actuarial present value of the projected benefit times the ratio of past service to total service. The PBO for retired and terminated vested participants is equal to the actuarial present value of the accrued benefit.

B. ASSET VALUATION METHOD

This plan is unfunded.

C. VALUATION PROCEDURES

The valuation is based on employee and financial data provided by the company and trustee, respectively, and summarized in this report. A plan's actuary would not customarily verify this data. We have reviewed the information for internal consistency and we have no reason to doubt its substantial accuracy.

All employees who are participants in the plan on the valuation date are included in the actuarial valuation.

D. ACTUARIAL ASSUMPTIONS (as of December 31, 2009 Measurement Date)

Principal Rates	
Discount rate	6.00% (previously, 6.25%)
Expected return on assets	Not Applicable.
Compensation increases	3.50% (previously, 3.75%)
IRC maximum benefit and compensation limitation increases	3.00% (previously, 3.50%)
Wage base increases	3.50% (unchanged)
Interest Credit for Account Balances	5.50% (previously, 6.00%)
Lump Sum / Annuity Conversion	6.00% (previously, 6.25%)
Pre-Retirement Mortality	None assumed.

SECTION IX

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS
(continued)

D. ACTUARIAL ASSUMPTIONS (cont'd)

Post-Retirement Mortality	2009 static mortality table in accordance with IRS Regulation 1.430(h)(3)-1 (previously, 2008 static mortality table).
Cash Balance Annuity Conversion Rate	417(e) mortality for 2009 under PPA (previously, 417(e) mortality for 2008 under PPA).
Termination	None
Disability	None
Retirement	Age 62
Form of Payment	Restoration benefits and SERP benefits are assumed to be paid as life annuities (except for the cash balance lump sums).
Administrative Expense	None
Valuation Pay	2009 base pay increased by salary scale plus expected 2009 bonus (at target) to be paid in March 2010.

SECTION X

SUMMARY OF PLAN PROVISIONS

Effective Date

The plan was most recently amended effective January 1, 2005.

Covered Employees

Vectren sponsors an unfunded restoration plan to restore benefits lost in the qualified plan due to IRS pay and benefit limits.

Any employee meeting both of the following criteria is eligible to participate in this plan:

1. Individuals who are designated as a participant by the Compensation Committee of the Board of by the Chief Executive Officer; and
2. Employees participating in the Vectren Combined Nonbargaining Pension Plan who are adversely affected by the IRS limitations on pay and benefits considered or provided by a qualified plan.

Additionally, Vectren sponsors a supplemental executive retirement plan (SERP) that covers select senior executive officers.

Benefits

The Restoration Plan replaces benefits that would be provided under the provisions of the Vectren Corporation Combined Non-Bargaining Retirement Plan if the IRC maximum benefit and compensation limits were disregarded.

The SERP provides for the following benefit:

- 65% of final five-year average total pay offset by:
    - Vectren Non-Bargaining plan and Restoration Plan benefit.
    - The employer-provided benefit from a hypothetical defined contribution account reflecting 6% employer contributions to a combination of the 401(k) and deferred compensation accounts and an investment return of 7.50%.
    - Social Security.

Vectren South-Electric
Cause No. 43839
Response to OUCC Data Request #2

Attachment
DR2 Q-41 Response 3

The Indiana Gas Company, Inc.
Bargaining Unit Retirement Plan

Pension Expense and Financial Disclosure for the Fiscal Year Ended December 31, 2009

and

Preliminary Net Periodic Pension Cost for the Fiscal Year Ending December 31, 2010

TABLE OF CONTENTS

SECTION I

ACTUARIAL CERTIFICATION

Purpose of Report

This report presents the results of the financial disclosure information for the The Indiana Gas Company, Inc. Bargaining Unit Retirement Plan for the fiscal year ended December 31, 2009 in accordance with the accounting requirements under Statements of Financial Accounting Standards Nos. 87, 88 and 158. The end of year liabilities are based on a 6.00% discount rate. In addition, we have calculated the preliminary FAS 87 Net Periodic Pension Cost (Expense) for the fiscal year ending December 31, 2010. This amount can be considered final, unless there are any material changes affecting the Plan during the current fiscal year such as a change in the benefits provided or a significant change in the covered population or contributions to the Plan, which may require a re-measurement for the changes. Section II contains a summary of the results of the disclosure report.

Methodology

The actuarial assumptions were selected by the company subject to the concurrence of its auditors. Plan asset information is summarized in Section VII. Census data is summarized in Sections VIII and IX. The Actuarial Assumptions are summarized in Section X. The Plan Provisions are summarized in Section XI.

Actuarial Certification of Assumptions and Methods

This report has been prepared in accordance with generally accepted actuarial principles and practices. The accounting calculations in the report are consistent with our understanding of the provisions of FAS Nos. 87, 88 and 158.

Francis P. Carberry *January 29, 2010*

Francis P. Carberry, F.S.A., E.A., M.A.A.A. — Date
Vice President, Senior Consulting Actuary
Enrollment Number: 08 – 05393
Phone: (617) 663-1215
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Matthew C Burley *January 29, 2010*

Peer Review by: Matthew C. Burley, A.S.A., E.A., M.A.A.A. — Date
Vice President, Senior Consulting Actuary
Phone: (617) 663-1214
Email: burleym@divinvest.com

SECTION II

PRINCIPAL RESULTS

A. Comparative Summary of Disclosure

		Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
(1)	Projected benefit obligation	$ 68,507,505	$ 66,034,135
(2)	Fair value of plan assets	58,758,347	42,965,724
(3)	Funded status	(9,749,158)	(23,068,411)
(4)	Accumulated other comprehensive income	22,919,048	29,083,045
(5)	Net amount recognized	13,169,890	6,014,634
(6)	Market-related value of assets	65,830,658	42,965,724
(7)	Final net periodic pension cost	1,818,738	1,663,195
(8)	Accumulated benefit obligation	$ 68,497,723	$ 66,024,055
(9)	Discount rate	6.00%	6.25%

B. Comparative Summary of Net Periodic Pension Cost

		Fiscal Year Ending December 31, 2010	Fiscal Year Ending December 31, 2009
(1)	Net periodic pension cost	$ 1,597,315	$ 1,818,738
(2)	Discount rate	6.00%	6.25%

SECTION III

FAS 158 DISCLOSURE

		Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
A.	Change in Projected Benefit Obligation		
(1)	Projected benefit obligation at beginning of year	$ 66,034,135	$ 63,958,224
(2)	Service cost	1,472,099	1,804,699
(3)	Interest cost	3,976,105	4,784,081
(4)	Participant contributions	0	0
(5)	Plan amendments	0	0
(6)	Acquisitions/divestitures	0	0
(7)	Exchange rate changes	0	0
(8)	Curtailment (gain) or loss	0	0
(9)	Settlement (gain) or loss	0	0
(10)	Special termination benefits	0	0
(11)	Benefits paid	(3,568,392)	(4,098,608)
(12)	Settlement payments	0	0
(13)	Actuarial (gain) or loss	593,558	(414,261)
(14)	Projected benefit obligation at end of year	$ 68,507,505	$ 66,034,135
B.	Change in Plan Assets		
(1)	Fair value of plan assets at beginning of year	$ 42,965,724	$ 61,153,613
(2)	Actual return on plan assets	10,387,015	(15,444,172)
(3)	Acquisitions/divestitures	0	0
(4)	Employer contributions	8,974,000	1,815,000
(5)	Participant contributions	0	0
(6)	Benefits paid	(3,568,392)	(4,098,608)
(7)	Settlement payments	0	0
(8)	Administrative expenses	0	0
(9)	Asset transfer	0	(460,109)
(10)	Fair value of plan assets at end of year	$ 58,758,347	$ 42,965,724
C.	Funded Status at End of Year: B(10) – A(14)	$ (9,749,158)	$ (23,068,411)

SECTION III

FAS 158 DISCLOSURE
(continued)

		Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
D.	Amounts Recognized in the Statement of Financial Position Consist of:		
(1)	Noncurrent assets	$ 0	$ 0
(2)	Current liabilities	0	0
(3)	Noncurrent liabilities	(9,749,158)	(23,068,411)
(4)	Total	$ (9,749,158)	$ (23,068,411)
E.	Amounts Recognized in Accumulated Other Comprehensive Income (AOCI) Consist of:		
(1)	Net (gain) or loss	$ 19,124,778	$ 24,370,837
(2)	Prior service cost	3,794,270	4,712,208
(3)	Transition (asset) obligation	0	0
(4)	Accumulated other comprehensive income	$ 22,919,048	$ 29,083,045
F.	Accumulated Benefit Obligation	$ 68,497,723	$ 66,024,055
G.	Components of Net Periodic Pension Cost		
(1)	Service cost	$ 1,472,099	$ 1,443,759
(2)	Interest cost	3,976,105	3,827,265
(3)	Expected return on plan assets	(4,877,648)	(4,588,533)
(4)	Amortization of transition (asset) or obligation	0	0
(5)	Amortization of prior service cost	917,938	923,367
(6)	Amortization of net (gain) or loss	330,244	57,337
(7)	Curtailment (gain) or loss	0	0
(8)	Settlement (gain) or loss	0	0
(9)	Special termination benefits	0	0
(10)	Net periodic pension cost	$ 1,818,738	$ 1,663,195

SECTION III

FAS 158 DISCLOSURE
(continued)

H. Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income (OCI)	Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
(1) Net (gain) or loss	$ (5,246,059)	$ 21,225,686
(2) Prior service cost	0	0
(3) Amortization of prior service cost	(917,938)	(1,154,209)
(4) Amortization of transition (asset) or obligation	0	0
(5) Total recognized in other comprehensive income	(6,163,997)	19,999,806
(6) Total recognized in net periodic benefit cost and OCI	$ (4,345,259)	$ 22,078,789

I. Estimated Amortizations from the AOCI into Net Periodic Pension Cost Over the Next Fiscal Year		
(1) Amortization of net (gain) or loss	$ 522,786	$ 330,244
(2) Amortization of prior service cost	912,512	917,938
(3) Amortization of transition (asset) or obligation	$ 0	$ 0

SECTION III

FAS 158 DISCLOSURE
(continued)

	Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
Weighted-average assumptions used to determine benefit obligations		
Measurement date	December 31, 2009	December 31, 2008
Discount rate	6.00%	6.25%
Rate of compensation increase	N/A	N/A
Weighted-average assumptions used to determine net periodic pension cost		
Measurement date	December 31, 2008	December 31, 2007
Discount rate	6.25%	6.25%
Expected long-term rate of return on plan assets	8.25%	8.25%
Rate of compensation increase	N/A	N/A

Plan Assets	**Target Allocation**	**Percentage of Plan Assets at December 31**	
Asset Category	**2010**	**2009**	**2008**
Equity Securities	61%	54%	53%
Debt Securities	35%	33%	34%
Real Estate	0%	3%	3%
Other	4%	10%	10%
Total		100%	100%

Cash Flows		
Contributions	Employer	Participants
2008	$ 1,815,000	$ 0
2009	$ 8,974,000	$ 0
Expected 2010	$ 2,800,000	$ 0
Benefit Payments		
2008	$ 4,098,608	
2009	$ 3,568,392	
Estimated Future Benefit Payments		
2010	$ 4,815,273	
2011	$ 4,909,588	
2012	$ 4,843,167	
2013	$ 5,053,212	
2014	$ 5,096,755	
Years 2015 - 2019	$ 26,808,557	

SECTION IV

RECONCILIATION OF NET AMOUNT RECOGNIZED

		Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
(1)	Net amount recognized at end of prior year	$ 6,014,634	$ 6,641,639
(2)	Net periodic pension cost for the fiscal year	1,818,738	1,663,195
(3)	Contributions paid during the fiscal year	8,974,000	1,452,000
(4)	Recognized or retained earnings	N/A	415,799
(5)	Adjustment	(6)	(11)
(6)	Net amount recognized at end of current year (1) - (2) + (3) - (4) + (5)	$ 13,169,890	$ 6,014,634

* *Reflects adjustment to retained earnings due to change in measurement from September 30 to December 31.*

SECTION V

DEVELOPMENT OF PRELIMINARY NET PERIODIC PENSION COST

The following calculations were performed in accordance with Statement No. 87 of the Financial Accounting Standards Board (FAS 87) and may be used for purposes of reporting pension cost. The net periodic pension cost, as required and calculated under FAS 87 will be charged against income, and it will also be disclosed in a footnote to the Company's financial statements.

Actuarial computations under FAS 87 are for purposes of fulfilling employer financial accounting requirements. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results reported herein.

A. Net Periodic Pension Cost		Preliminary Fiscal Year Ending December 31, 2010	Final Fiscal Year Ending December 31, 2009
(1)	Service cost	$ 1,377,290	$ 1,472,099
(2)	Interest cost	3,968,096	3,976,105
(3)	Expected return on assets	5,183,369	4,877,648
(4)	Amortization of transition (asset) or obligation from item B	0	0
(5)	Amortization of prior service cost from item C	912,512	917,938
(6)	Recognition of (gain) or loss from item D(13)	522,786	330,244
(7)	Net periodic pension cost: (1) + (2) - (3) + (4) + (5) + (6)	$ 1,597,315	$ 1,818,738

SECTION V

DEVELOPMENT OF PRELIMINARY NET PERIODIC PENSION COST
(continued)

B. Amortization of Transition (Asset) or Obligation

None.

C. Amortization of Prior Service Cost

Date Established	Unrecognized Amount December 31, 2009	Remaining Years in Amortization Period	Amount to be Recognized During 2010
-	34,010	2.50	13,603
-	542,400	2.73	198,391
-	2,028,447	4.25	476,832
-	1,189,413	5.32	223,686
	$ 3,794,270		$ 912,512

SECTION V

DEVELOPMENT OF PRELIMINARY NET PERIODIC PENSION COST
(continued)

D. Development and Recognition of (Gain) or Loss		Fiscal Year Ending December 31, 2010
(1)	Projected benefit obligation	$ 68,507,505
(2)	Fair value of assets	58,758,347
(3)	Unrecognized transition (asset) or obligation	0
(4)	Unrecognized prior service cost	3,794,270
(5)	(Accrued) or prepaid pension expense	13,169,890
(6)	Unrecognized (gain) or loss: (1) – (2) – (3) – (4) + (5)	19,124,778
(7)	(Gain) or loss not reflected in market-related value	
	(a) Fair value of assets	58,758,347
	(b) Market-related value of assets	65,830,658
	(c) Amount not reflected in market-related value of assets: (a) – (b)	(7,072,311)
(8)	(Gain) or loss subject to amortization: (6) + (7)(c)	12,052,467
(9)	Greater of (1) or (7)(b)	68,507,505
(10)	10% of (9)	6,850,751
(11)	(Gain) or loss, subject to recognition: excess of absolute value of (8) over (10), not less than zero	$ 5,201,716
(12)	Average future service of plan participants expected to receive benefits	9.95 years
(13)	Amount to recognize for the year: (11) ÷ (12)	$ 522,786

SECTION VI

QUARTERLY NET PERIODIC PENSION COST

Quarterly Net Periodic Pension Cost		Fiscal Year Ending December 31, 2010
(1)	Service cost	$ 344,323
(2)	Interest cost	992,024
(3)	Expected return on assets	1,295,842
(4)	Net amortizations	358,825
(5)	Quarterly net periodic pension cost: (1) + (2) – (3) + (4)	$ 399,329

SECTION VII

DEVELOPMENT OF MARKET-RELATED VALUE OF ASSETS

(1)	Market value of assets as of December 31, 2009	$	58,758,347
(2)	Expected return of assets		4,877,648
(3)	Actual return on assets		10,387,015
(4)	(Gain)/Loss = (2) - (3)		(5,509,367)

(5) Unrecognized (Gain)/Loss

	Amount		Fraction	Result
2006	(1,021,655)	x	20%	(204,331)
2007	(2,559,417)	x	40%	(1,023,767)
2008	21,179,838	x	60%	12,707,903
2009	(5,509,367)	x	80%	(4,407,494)

(6)	Total Unrecognized (Gain)/Loss		7,072,311
(7)	Market-related value of assets as of December 31, 2009: (1) + (6)	$	65,830,658

SECTION VIII

RECONCILIATION OF PLAN PARTICIPANTS

	Active Plan Members	Plan Members with Deferred Benefits	Plan Members Receiving Benefits	Total Number of Plan Members
As of January 1, 2008	**458**	**135**	**480**	**1,073**
New entrants	11	N/A	N/A	11
Rehires	1	(1)	0	0
Terminations with vesting	(1)	1	N/A	0
Terminations without vesting	0	N/A	N/A	0
Retirements	(28)	(3)	31	0
Lump sums paid	0	0	0	0
Deaths	(2)	0	(31)	(33)
Survivors (with benefits)	N/A	0	10	10
Expiration of benefits	N/A	N/A	(1)	(1)
Transfers in	0	N/A	N/A	0
Transfers out	0	0	N/A	0
Adjustments	0	0	(7)	(7)
Net change	(19)	(3)	2	(20)
As of January 1, 2009	**439**	**132**	**482**	**1,053**

SECTION IX

AGE/SERVICE DISTRIBUTION OF ACTIVE PLAN PARTICIPANTS
(as of January 1, 2009)

....................................Completed Years of Credited Service ....

Age	0 to 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 +	Total
0 - 24	0	4	0	0	0	0	0	0	0	0	4
25 - 29	0	10	4	0	0	0	0	0	0	0	14
30 - 34	0	19	8	1	0	0	0	0	0	0	28
35 - 39	0	9	11	4	9	0	0	0	0	0	33
40 - 44	0	5	11	6	23	4	0	0	0	0	49
45 - 49	0	4	6	8	14	12	13	1	0	0	58
50 - 54	0	0	3	7	4	19	32	34	4	0	103
55 - 59	0	0	1	3	4	7	12	27	30	2	86
60 - 64	0	0	2	1	1	0	7	7	23	10	51
65 - 69	0	0	0	0	0	0	0	3	4	6	13
70 & Up	0	0	0	0	0	0	0	0	0	0	0
Totals	0	51	46	30	55	42	64	72	61	18	439

SECTION X

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS

A. ACTUARIAL COST METHOD

The actuarial cost method used to calculate the costs and liabilities of the plan is the Projected Unit Credit Actuarial Cost Method. Under this method, the service cost and projected benefit obligation (PBO) are both based on an accrual of projected benefits over the period for which benefits are accrued. The service cost is the actuarial present value of one year's benefit accrual on this basis. The PBO for active participants is the actuarial present value of the projected benefit times the ratio of past service to total service. The PBO for retired and terminated vested participants is equal to the actuarial present value of the accrued benefit.

B. ASSET VALUATION METHOD

The market-related value of assets is equal to the fair value of assets plus an increasing fraction, (e.g., .20, .40, .60, .80) of the (gain)/loss for each of the preceding four years. The (gain)/loss for a year is determined by calculating the difference between the expected return on assets for the year and the actual return on assets at the measurement date.

C. VALUATION PROCEDURES

The valuation is based on employee and financial data provided by the company and trustee, respectively, and summarized in this report. A plan's actuary would not customarily verify this data. We have reviewed the information for internal consistency and we have no reason to doubt its substantial accuracy.

All employees who are participants in the plan on the valuation date are included in the actuarial valuation.

D. ACTUARIAL ASSUMPTIONS (as of December 31, 2009 Measurement Date)

Principal Rates

Discount rate	6.00% (previously, 6.25%).
Expected long-term rate of return on assets	8.00% (previously, 8.25%).
Compensation increases	Not applicable.
IRC maximum benefit and compensation limitation increases	Not applicable.
Wage base increases	Not applicable.

SECTION X

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS
(continued)

D. ACTUARIAL ASSUMPTIONS (cont'd)

Pre- and Post-Retirement Mortality: 2009 static mortality table in accordance with IRS Regulation 1.430(h)(3)-1 (previously, 2008 static mortality table).

Withdrawal Rates: The ultimate rates of termination are based on rates from Sarason's T-3 table of the Actuary's Pension Handbook. Sample termination rates are as follows:

Age	Rate (%)
20	6.58
25	5.27
30	4.83
35	4.47
40	3.84
45	3.21
50	1.52
55	0.33

IRC Maximum Benefit and Compensation Limitations

Benefit Limit: $195,000 for 2009 (previously, $185,000).

Compensation Limit: $245,000 for 2009 (previously, $230,000).

Retirement Age - IGC: Sample probabilities are as follows:

Age	Rate (%)
55 - 58	2
59	50
60 - 61	10
62	100

SECTION X

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS
(continued)

D. ACTUARIAL ASSUMPTIONS (cont'd)

Retirement Age - VEDO

Sample retirement rates are as follows:

Less than 30 years of Service:

Age	Rate (%)
61	15
62	50
63	70
64	50
65	100

30 or more years of Service:

Age	Rate (%)
55 - 61	25
62	50
63	70
64	50
65	100

Disability Rates

None assumed.

Form of payment

Life annuity, except that lump sum payments are assumed for supplemental benefits.

Marital Assumption

It is assumed that 90% of all active participants are married. Husbands are assumed to be three years older than their wives.

Plan Expenses

None assumed.

SECTION XI

SUMMARY OF PLAN PROVISIONS - IGC

Effective Date	The plan was most recently amended and restated effective January 1, 2009.
Plan Year	The twelve-month period ending December 31.
Covered Employees	All employees of Indiana Gas subject to collective bargaining agreement providing coverage under this plan. No employee hired on or after July 21, 2009 (other than an employee covered by VEDO) shall be eligible.
Eligibility	First of the month coincident with or following the attainment of age 21 and completion of one Year of Service.
Year of Service	Each anniversary year in which the employee completes 1,000 hours. In the final 12-month period of employment, if 1,000 hours are not completed, 1/12 of a year is earned for each completed month of employment.
Vesting Service	Years of Service.
Credited Service	Years of Service completed as a participant.
Normal Retirement Date	The first of the month coincident with or next following age 65.

SECTION XI

SUMMARY OF PLAN PROVISIONS - IGC
(continued)

Normal Retirement Benefit	The sum of: (a) Accrued benefit based on prior plan provisions as of December 31, 1998 (b) \$40 for service completed between January 1, 1999 and December 31, 2001 (c) \$45 for service completed between January 1, 2002 and December 31, 2003 (d) \$48 for service completed between January 1, 2004 and December 31, 2004 (e) \$50 for service completed between January 1, 2005 and December 31, 2005 (f) \$52 for service completed between January 1, 2006 and December 31, 2006 (g) \$54 for service completed between January 1, 2007 and December 31, 2007 (h) \$56 for service completed between January 1, 2008 and December 31, 2009 (i) \$57 for service completed between January 1, 2010 and December 31, 2010 (h) \$58 for service completed after January 1, 2011.
Supplemental Benefit	Monthly annuity of \$400 payable until the Social Security Normal Retirement Date, but no longer than six years.
Form of Payment	Single Life Annuity if the participant has no spouse as of the date of the first payment. Otherwise, benefits are paid in the form of the actuarially equivalent 50% Joint and Survivor annuity. The optional forms are a 100%, 66 2/3%, 50% Joint and Survivor annuity, and a life annuity. Former participants in the Terre Haute Plan are also eligible to receive a five and ten year certain and continuous annuity
Early Retirement Date	On or after the first of the month coincident with or next following attaining both age 50 and 10 Years of Service.

SECTION XI

SUMMARY OF PLAN PROVISIONS - IGC
(continued)

Early Retirement Benefit

Monthly Retirement Benefit determined as of early retirement date, reduced as follows plus Monthly Supplemental Benefit:

Age	Factor(%)
65	100.0
64	100.0
63	100.0
62	94.0
61	88.0
60	82.0
59	75.0
58	68.0
57	61.0
56	54.0
55	50.0
54	40.0
53	33.0
52	26.0
51	19.0
50	12.0

Vesting

An employee is 100% vested upon completion of 5 years of vesting service.

Vested Benefits Upon Termination of Service

Monthly Retirement Benefit determined as of termination date, payable at age 65. If the participant has 10 years of Vesting Service, they may elect to receive their benefit as early as age 50, reduced by the schedule above (see Early Retirement Benefit).

Death Benefit Eligibility

Completion of 5 years of Vesting Service.

Death Benefit

100% of the monthly Retirement Benefit determined as of the date of death, reduced for the 100% Joint & Survivor election and reduced for payment as early as the participant's 50^{th} birthday.

Disability Benefit Eligibility

Total and permanent disability after completion of 10 Years of Service.

SECTION XI

SUMMARY OF PLAN PROVISIONS - IGC
(continued)

Disability Benefit	Continued accruals during period of disability. Benefits received at Normal Retirement Date.
Employee Contributions	None.

SECTION XI

SUMMARY OF PLAN PROVISIONS - VEDO

Effective Date	The plan was most recently amended and restated effective January 1, 2009.
Plan Year	The twelve-month period ending December 31.
Covered Employees	All employees of VEDO subject to a collective bargaining agreement providing coverage under this plan.
Eligibility	First of the month coincident with or following the attainment of age 18 and completion of one year of Vesting Service.
Vesting Service	The number of calendar years in which an employee is credited with at least 500 hours of service.
Credited Service	Credited Service is accrued based on the following schedule:

Hours of Service	Credited Service Accrual
1,560+	1.00
1,000 - 1,559	0.75
500 - 999	0.50
0 - 499	0.00

Normal Retirement Date	The first of the month coincident with or next following age 65.
Normal Retirement Benefit	Years of Credited Service (not more than 35) times the dollar amount in the schedule below:

	Dollar Multiplier
2000	$23
2001	24
2002	25
2003	26
2004	27
2005	29
2006	31
2007	32
2008	32
2009 or later	33

SECTION XI

SUMMARY OF PLAN PROVISIONS - VEDO
(continued)

Normal Retirement Benefit (cont'd)

The benefit calculated based on all years of credited service at Vectren and DP&L will be offset by the benefit payable under the DP&L Pension Plan.

Supplemental Benefits

(a) A monthly annuity of $259.50 payable from Early Retirement Date until age 65. This benefit shall not be payable to a member who is eligible for this benefit under the DPL Pension Plan, plus

(b) A monthly amount of $400 payable until Social Security Normal Retirement Date. This benefit is payable only to those members with at least 30 years of credited service at retirement. This benefit shall not be payable to a member who is eligible for this benefit under the DPL Pension Plan.

Form of Payment

Single Life Annuity if the participant has no spouse as of the date of the first payment. Otherwise, benefits are paid in the form of the actuarially equivalent 50% Joint and Survivor annuity.

Early Retirement Date

On or after the first of the month coincident with or next following attaining both age 55 and 10 Years of Service.

Early Retirement Benefit

Monthly benefit determined as of retirement date, reduced as follows:

Age	Factor(%)
65	100.0
64	100.0
63	100.0
62	100.0
61	95.0
60	90.0
59	85.0
58	80.0
57	75.0
56	70.0
55	65.0

SECTION XI

SUMMARY OF PLAN PROVISIONS - VEDO
(continued)

Early Retirement Benefit (cont'd)

If a participant is age 55 and has 30 years of Credited Service, then no reduction will be applied.

The benefit based on all years of service at Vectren and DP&L will be reduced by the factors listed above. This reduced benefit will be offset by the early retirement benefit payable under the DP&L plan reduced in accordance with DP&L early retirement factors.

Vesting

An employee is 100% vested upon completion of 5 years of vesting service.

Vested Benefits Upon Termination of Service

Monthly pension benefit determined as of termination date payable at age 65. If the participant has 10 years of Vesting Service, they may choose to receive their benefits as early as age 55, reduced by the following schedule:

Age	Factor(%)
65	100.0
64	89.9
63	81.0
62	73.3
61	66.4
60	60.3
59	54.9
58	50.1
57	45.8
56	42.0
55	38.5

Death Benefit Eligibility

Completion of 5 years of Vesting Service.

Death Benefit

For married participants, surviving spouse receives 50% of the monthly pension benefit as of the date of death, reduced for the 50% Joint & Survivor election and reduced for payment as early as the participant's early retirement date.

Employee Contributions

None.

Vectren South-Electric
Cause No. 43839
Response to OUCC Data Request #2

Attachment
DR2 Q-41 Response 4

Vectren Corporation Combined Non-Bargaining Retirement Plan

Pension Expense and Financial Disclosure for the Fiscal Year Ended December 31, 2009

and

Preliminary Net Periodic Pension Cost for the Fiscal Year Ending December 31, 2010

TABLE OF CONTENTS

SECTION I

ACTUARIAL CERTIFICATION

Purpose of Report
This report presents the results of the financial disclosure information for the Vectren Corporation Combined Non-Bargaining Retirement Plan for the fiscal year ended December 31, 2009 in accordance with the accounting requirements under Statements of Financial Accounting Standards Nos. 87, 88 and 158. The end of year liabilities are based on a 6.00% discount rate. In addition, we have calculated the preliminary FAS 87 Net Periodic Pension Cost (Expense) for the fiscal year ending December 31, 2010. This amount can be considered final, unless there are any material changes affecting the Plan during the current fiscal year such as a change in the benefits provided or a significant change in the covered population or contributions to the Plan, which may require a re-measurement for the changes. Section II contains a summary of the results of the disclosure report.

Methodology
The actuarial assumptions were selected by the company subject to the concurrence of its auditors. Plan asset information is summarized in Section VII. Census data is summarized in Sections VIII and IX. The Actuarial Assumptions are summarized in Section X. The Plan Provisions are summarized in Section XI.

Actuarial Certification of Assumptions and Methods
This report has been prepared in accordance with generally accepted actuarial principles and practices. The accounting calculations in the report are consistent with our understanding of the provisions of FAS Nos. 87, 88 and 158.

Francis P. Carberry *January 29, 2010*

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Matthew C. Burley *January 29, 2010*

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Date

SECTION II

PRINCIPAL RESULTS

A.	Comparative Summary of Disclosure	Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
(1)	Projected benefit obligation	$ 115,165,088	$ 111,675,930
(2)	Fair value of plan assets	97,772,918	69,270,093
(3)	Funded status	(17,392,170)	(42,405,837)
(4)	Accumulated other comprehensive income	32,801,456	42,914,771
(5)	Net amount recognized	15,409,286	508,934
(6)	Market-related value of assets	110,404,012	69,270,093
(7)	Final net periodic pension cost	1,950,648	2,369,327
(8)	Accumulated benefit obligation	$ 109,545,685	$ 106,042,486
(9)	Discount rate	6.00%	6.25%

B.	Comparative Summary of Net Periodic Pension Cost	Fiscal Year Ending December 31, 2010	Fiscal Year Ending December 31, 2009
(1)	Net periodic pension cost	$ 1,640,154	$ 1,950,648
(2)	Discount rate	6.00%	6.25%

SECTION III

FAS 158 DISCLOSURE

		Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
A.	Change in Projected Benefit Obligation		
	(1) Projected benefit obligation at beginning of year	$ 111,675,930	$ 111,259,782
	(2) Service cost	2,756,854	3,487,487
	(3) Interest cost	6,769,121	8,373,423
	(4) Participant contributions	0	0
	(5) Plan amendments	0	86,976
	(6) Acquisitions/divestitures	0	0
	(7) Exchange rate changes	0	0
	(8) Curtailment (gain) or loss	0	0
	(9) Settlement (gain) or loss	0	0
	(10) Special termination benefits	0	0
	(11) Benefits paid	(6,837,433)	(8,549,657)
	(12) Settlement payments	0	0
	(13) Actuarial (gain) or loss	800,616	(2,982,081)
	(14) Projected benefit obligation at end of year	$ 115,165,088	$ 111,675,930
B.	Change in Plan Assets		
	(1) Fair value of plan assets at beginning of year	$ 69,270,093	$ 101,598,406
	(2) Actual return on plan assets	18,489,258	(27,916,765)
	(3) Acquisitions/divestitures	0	0
	(4) Employer contributions	16,851,000	3,678,000
	(5) Participant contributions	0	0
	(6) Benefits paid	(6,837,433)	(8,549,657)
	(7) Settlement payments	0	0
	(8) Administrative expenses	0	0
	(9) Asset transfer	0	460,109
	(10) Fair value of plan assets at end of year	$ 97,772,918	$ 69,270,093
C.	Funded Status at End of Year: B(10) – A(14)	$ (17,392,170)	$ (42,405,837)

SECTION III

FAS 158 DISCLOSURE
(continued)

		Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
D.	Amounts Recognized in the Statement of Financial Position Consist of:		
(1)	Noncurrent assets	$ 0	$ 0
(2)	Current liabilities	0	0
(3)	Noncurrent liabilities	(17,392,170)	(42,405,837)
(4)	Total	$ (17,392,170)	$ (42,405,837)
E.	Amounts Recognized in Accumulated Other Comprehensive Income (AOCI) Consist of:		
(1)	Net (gain) or loss	$ 30,268,536	$ 39,853,445
(2)	Prior service cost	2,532,920	3,061,326
(3)	Transition (asset) obligation	0	0
(4)	Accumulated other comprehensive income	$ 32,801,456	$ 42,914,771
F.	Accumulated Benefit Obligation	$ 109,545,685	$ 106,042,486
G.	Components of Net Periodic Pension Cost		
(1)	Service cost	$ 2,756,854	$ 2,789,990
(2)	Interest cost	6,769,121	6,698,738
(3)	Expected return on plan assets	(8,250,247)	(7,703,806)
(4)	Amortization of transition (asset) or obligation	0	0
(5)	Amortization of prior service cost	528,406	555,633
(6)	Amortization of net (gain) or loss	146,514	31,772
(7)	Curtailment (gain) or loss	0	0
(8)	Settlement (gain) or loss	0	0
(9)	Special termination benefits	0	0
(10)	Net periodic pension cost	$ 1,950,648	$ 2,369,327

SECTION III

FAS 158 DISCLOSURE
(continued)

H. Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income (OCI)	Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
(1) Net (gain) or loss	$ (9,584,909)	$ 34,108,077
(2) Prior service cost	0	86,976
(3) Amortization of prior service cost	(528,406)	(694,542)
(4) Amortization of transition (asset) or obligation	0	0
(5) Total recognized in other comprehensive income	(10,113,315)	33,460,796
(6) Total recognized in net periodic benefit cost and OCI	$ (8,162,667)	$ 36,422,456

I. Estimated Amortizations from the AOCI into Net Periodic Pension Cost Over the Next Fiscal Year		
(1) Amortization of net (gain) or loss	$ 430,445	$ 146,514
(2) Amortization of prior service cost	497,710	528,406
(3) Amortization of transition (asset) or obligation	$ 0	$ 0

SECTION III

FAS 158 DISCLOSURE
(continued)

	Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
Weighted-average assumptions used to determine benefit obligations		
Measurement date	December 31, 2009	December 31, 2008
Discount rate	6.00%	6.25%
Rate of compensation increase	3.50%	3.75%
Weighted-average assumptions used to determine net periodic pension cost		
Measurement date	December 31, 2008	December 31, 2007
Discount rate	6.25%	6.25%
Expected long-term rate of return on plan assets	8.25%	8.25%
Rate of compensation increase	3.75%	3.75%

Plan Assets	Target Allocation	Percentage of Plan Assets at December 31	
Asset Category	2010	2009	2008
Equity Securities	61%	57%	58%
Debt Securities	35%	35%	37%
Real Estate	0%	3%	3%
Other	4%	5%	2%
Total		100%	100%

Cash Flows		
Contributions	Employer	Participants
2008	$ 3,678,000	$ 0
2009	$ 16,851,000	$ 0
Expected 2010	$ 5,000,000	$ 0
Benefit Payments		
2008	$ 8,549,657	
2009	$ 6,837,433	
Estimated Future Benefit Payments		
2010	$ 6,631,517	
2011	$ 7,008,302	
2012	$ 7,600,972	
2013	$ 7,942,963	
2014	$ 8,293,737	
Years 2015 - 2019	$ 48,513,659	

SECTION IV

RECONCILIATION OF NET AMOUNT RECOGNIZED

		Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
(1)	Net amount recognized at end of prior year	$ 508,934	$ 455,599
(2)	Net periodic pension cost for the fiscal year	1,950,648	2,369,327
(3)	Contributions paid during the fiscal year	16,851,000	3,015,000
(4)	Recognized in retained earnings	N/A	592,333 *
(5)	Adjustment	0	(5)
(6)	Net amount recognized at end of current year (1) - (2) + (3) - (4) + (5)	$ 15,409,286	$ 508,934

* *Reflects adjustment to retained earnings due to change in measurement date from September 30 to December 31.*

SECTION V

DEVELOPMENT OF PRELIMINARY NET PERIODIC PENSION COST

The following calculations were performed in accordance with Statement No. 87 of the Financial Accounting Standards Board (FAS 87) and may be used for purposes of reporting pension cost. The net periodic pension cost, as required and calculated under FAS 87 will be charged against income, and it will also be disclosed in a footnote to the Company's financial statements.

Actuarial computations under FAS 87 are for purposes of fulfilling employer financial accounting requirements. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results reported herein.

A. Net Periodic Pension Cost		Preliminary Fiscal Year Ending December 31, 2010	Final Fiscal Year Ending December 31, 2009
(1)	Service cost	$ 2,758,144	$ 2,756,854
(2)	Interest cost	6,713,902	6,769,121
(3)	Expected return on assets	8,760,047	8,250,247
(4)	Amortization of transition (asset) or obligation from item B	0	0
(5)	Amortization of prior service cost from item C	497,710	528,406
(6)	Recognition of (gain) or loss from item D(13)	430,445	146,514
(7)	Net periodic pension cost: (1) + (2) - (3) + (4) + (5) + (6)	$ 1,640,154	$ 1,950,648

SECTION V

DEVELOPMENT OF PRELIMINARY NET PERIODIC PENSION COST
(continued)

B. Amortization of Transition (Asset) or Obligation

None.

C. Amortization of Prior Service Cost

Date Established	Unrecognized Amount December 31, 2009	Remaining Years in Amortization Period	Amount to be Recognized During 2010
-	$ 65,032	6.62	$ 9,831
-	326,318	2.62	124,551
-	1,220,529	6.02	202,779
-	765,718	5.75	133,239
-	74,400	3.50	21,257
1/1/2009	80,923	13.37	6,053
	$ 2,532,920		$ 497,710

SECTION V

DEVELOPMENT OF PRELIMINARY NET PERIODIC PENSION COST
(continued)

D. Development and Recognition of (Gain) or Loss		Fiscal Year Ending December 31, 2010
(1)	Projected benefit obligation	$ 115,165,088
(2)	Fair value of assets	97,772,918
(3)	Unrecognized transition (asset) or obligation	0
(4)	Unrecognized prior service cost	2,532,920
(5)	(Accrued) or prepaid pension expense	15,409,286
(6)	Unrecognized (gain) or loss: (1) – (2) – (3) – (4) + (5)	30,268,536
(7)	(Gain) or loss not reflected in market-related value	
	(a) Fair value of assets	97,772,918
	(b) Market-related value of assets	110,404,012
	(c) Amount not reflected in market-related value of assets: (a) – (b)	(12,631,094)
(8)	(Gain) or loss subject to amortization: (6) + (7)(c)	17,637,442
(9)	Greater of (1) or (7)(b)	115,165,088
(10)	10% of (9)	11,516,509
(11)	(Gain) or loss, subject to recognition: excess of absolute value of (8) over (10), not less than zero	$ 6,120,933
(12)	Average future service of plan participants expected to receive benefits	14.22 years
(13)	Amount to recognize for the year: (11) ÷ (12)	$ 430,445

SECTION VI

QUARTERLY NET PERIODIC PENSION COST

Quarterly Net Periodic Pension Cost		Fiscal Year Ending December 31, 2010
(1)	Service cost	$ 689,536
(2)	Interest cost	1,678,476
(3)	Expected return on assets	2,190,012
(4)	Net amortizations	232,039
(5)	Quarterly net periodic pension cost: (1) + (2) – (3) + (4)	$ 410,039

SECTION VII

DEVELOPMENT OF MARKET-RELATED VALUE OF ASSETS

(1)	Market value of assets as of December 31, 2009	$	97,772,918
(2)	Expected return on assets		8,250,247
(3)	Actual return on assets		18,489,258
(4)	(Gain)/loss for the current year: (2) - (3)		(10,239,011)
(5)	Unrecognized (gain)/loss		

	Amount		Fraction	Result
2006*	(463,425)	x	20%	(92,685)
2007	(4,037,937)	x	40%	(1,615,175)
2008	37,550,272	x	60%	22,530,163
2009	(10,239,011)	x	80%	(8,191,209)

(6)	Total unrecognized (gain)/loss		12,631,094
(7)	Market-related value of assets as of December 31, 2009: (1) + (6)	$	110,404,012

* *Information was provided by the prior actuary.*

SECTION VIII

RECONCILIATION OF PLAN PARTICIPANTS

	Active Plan Members	Plan Members with Deferred Benefits	Plan Members Receiving Benefits	Total Number of Plan Members
As of January 1, 2008	**977**	**305**	**699**	**1,981**
New entrants	72	N/A	N/A	72
Rehires	0	0	0	0
Terminations with vesting	(33)	33	N/A	0
Terminations without vesting	(26)	N/A	N/A	(26)
Retirements	(14)	(9)	23	0
Disability retirements	0	0	0	0
Lump sums paid	(14)	(1)	0	(15)
Deaths	(1)	(1)	(32)	(34)
Survivors (with benefits)	N/A	0	6	6
Expiration of benefits	N/A	N/A	0	0
Transfers in	0	N/A	N/A	0
Transfers out	0	0	N/A	0
Adjustments	0	1	(1)	0
Net change	(16)	23	(4)	3
As of January 1, 2009	**961**	**328**	**695**	**1,984**

SECTION IX

AGE/SERVICE DISTRIBUTION OF ACTIVE PLAN PARTICIPANTS
(as of January 1, 2009)

	....................................Completed Years of Credited Service										
Age	0 to 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 +	Total
0 – 24	14	17	0	0	0	0	0	0	0	0	31
Avg. Comp.											
25 – 29	28	75	8	0	0	0	0	0	0	0	111
30 – 34	14	60	41	2	0	0	0	0	0	0	117
35 – 39	4	46	39	13	5	0	0	0	0	0	107
40 – 44	4	24	33	11	19	10	0	0	0	0	101
45 – 49	6	39	34	13	14	34	0	0	0	0	140
50 – 54	2	33	24	17	19	13	51	3	0	0	162
55 – 59	2	20	19	6	17	11	18	36	1	0	130
60 – 64	0	5	7	6	4	6	7	5	17	1	58
65 – 69	0	0	1	0	0	0	1	1	1	0	4
70 & Up	0	0	0	0	0	0	0	0	0	0	0
Totals	74	319	206	68	78	74	77	45	19	1	961

SECTION X

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS

A. ACTUARIAL COST METHOD

The actuarial cost method used to calculate the costs and liabilities of the plan is the Projected Unit Credit Actuarial Cost Method. Under this method, the service cost and projected benefit obligation (PBO) are both based on an accrual of projected benefits over the period for which benefits are accrued. The service cost is the actuarial present value of one year's benefit accrual on this basis. The PBO for active participants is the actuarial present value of the projected benefit times the ratio of past service to total service. The PBO for retired and terminated vested participants is equal to the actuarial present value of the accrued benefit.

B. ASSET VALUATION METHOD

The market-related value of assets is equal to the fair value of assets plus an increasing fraction, (e.g., .20, .40, .60, .80) of the (gain)/loss for each of the preceding four years. The (gain)/loss for a year is determined by calculating the difference between the expected return on assets for the year and the actual return on assets at the measurement date.

C. VALUATION PROCEDURES

The valuation is based on employee and financial data provided by the company and trustee, respectively, and summarized in this report. A plan's actuary would not customarily verify this data. We have reviewed the information for internal consistency and we have no reason to doubt its substantial accuracy.

All employees who are participants in the plan on the valuation date are included in the actuarial valuation.

D. ACTUARIAL ASSUMPTIONS (as of December 31, 2009 Measurement Date)

Principal Rates

Discount rate	6.00% (previously, 6.25%).
Expected long-term rate of return on assets	8.00% (previously, 8.25%).
Compensation increases	3.50% (previously, 3.75%).

SECTION X

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS
(continued)

D. ACTUARIAL ASSUMPTIONS (cont'd)

Principal Rates (continued)

IRC maximum benefit and compensation limitation increases	3.00% (previously, 3.50%).
Wage base increases	3.50% (unchanged).
Interest Credit for Account Balances	5.50% for active participants; 4.50% for terminated vested participants (previously, 6.00% and 5.00%).
Pre- and Post-Retirement Mortality	2009 static mortality table in accordance with IRS Regulation 1.430(h)(3)-1 (previously, 2008 static mortality table).
Cash Balance Annuity Conversion Rate	417(e) mortality for 2009 under PPA and 6% interest (previously, 417(e) mortality for 2008 under PPA and Target Liability Segment rates).
Withdrawal Rates	The ultimate rates of termination are based on rates from Sarason's T-3 table of the Actuary's Pension Handbook. Sample termination rates are as follows:

Age	Rate (%)
20	6.58
25	5.27
30	4.83
35	4.47
40	3.84
45	3.21
50	1.52
55	0.33

IRC Maximum Benefit and Compensation Limitations

Benefit Limit	\$195,000 for 2009 (previously, \$185,000).
Compensation Limit	\$245,000 for 2009 (previously, \$230,000).

SECTION X

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS
(continued)

D. ACTUARIAL ASSUMPTIONS (cont'd)

Retirement Age — Sample probabilities are as follows:

Age	Rate (%)
55 - 60	3
61	5
62 - 63	30
64	20
65	60
66 - 67	20
68 - 69	40
70	100

Disability Rates — None assumed.

Form of payment — All benefits are assumed to be paid as a lump sum, except that life annuity payments are assumed for all grandfathered benefits.

Marital Assumption — It is assumed that 90% of all active participants are married. Husbands are assumed to be three years older than their wives.

Plan Expenses — None assumed.

SECTION XI

SUMMARY OF PLAN PROVISIONS

Effective Date	The plan was most recently amended and restated effective January 1, 2009.
Plan Year	The twelve-month period ending December 31.
Eligibility	January 1 or July 1 following the attainment of age 21 and completion of 1,000 hours in the first twelve months of employment or in any plan year.
Vesting Service	An employee earns one year of service for each year in which he completes 1,000 hours. In the final year of employment, a participant earns 1/12 of a year for each completed month, with a full year earned after completion of 12 months or 1,000 hours.
Former SIGECO Participants	Service is measured from date of hire to date of termination regardless of hours worked.
Former DP&L Participants	One year of vesting service is earned for each year of 1,000 hours.
Credited Service	An employee earns one year of service for each year in which he completes 1,000 hours. In the final year of employment, a participant earns 1/12 of a year for each completed month, with a full year earned after completion of 12 months.
Former SIGECO Participants	Service is measured from date of participation in months, with a month of service credited if one hour is worked in that month.
Former DP&L Participants	One year of credited service is earned for each year of 1,000 hours prior to the plan year containing his entry date.

SECTION XI

SUMMARY OF PLAN PROVISIONS
(continued)

Grandfathered IEI Participants	Former IEI employees whose years of age plus service was 60 or more on January 1, 1999.
Grandfathered SIGECO Participants	Former SIGECO employees who chose to continue receiving benefits according to the former SIGECO plan's traditional final pay formula.
Grandfathered VEDO Participants	Former DP&L employees who chose to continue receiving benefits according to the former DP&L plan's traditional final pay formula with supplemental benefits.
Compensation	Total pay including overtime and bonuses before taxes and other items, such as 401(k) or 125 deductions. For former IEI Salaried Plan members prior to January 1, 2001, pay excludes overtime and bonuses. For grandfathered VEDO employees, pensionable pay is base pay. Compensation shall in all cases be limited in accordance with Section 401(a)(17) of the Code.
Final Average Earnings	
Grandfathered IEI Participants	The average of the highest sixty consecutive months of Compensation.
Grandfathered SIGECO Participants	The average of the highest five consecutive plan years in the last ten plan years of Compensation. A plan year is defined as July 1 - June 30 for years prior to 2000.
Grandfathered VEDO Participants	The average of the highest three consecutive plan years in the last five plan years of Compensation. A plan year is defined as January 1 - December 31.
Normal Retirement Date	The first of the month coincident with or next following age 65.

SECTION XI

SUMMARY OF PLAN PROVISIONS
(continued)

Normal Retirement Benefit

Monthly annuity equivalent of the Account Balance at Normal Retirement Date, except for grandfathered participants as noted below.

Grandfathered IEI Participants

Benefit is equal to:

(a) 0.55% x Final Average Earnings x Pension Service to NRD, plus

(b) 0.53% x Final Average Earnings in excess of Social Security Covered Compensation x Pension Service to NRD up to 35 years.

This amount is prorated by Pension Service at termination divided by Pension Service to NRD. The remaining amount is offset by any benefits earned under the collectively bargained pension plan.

Grandfathered SIGECO Participants

Benefit is the greater of (1) and (2) below:

1. (a) 1.52% x Final Average Earnings x Pension Service up to 30 years, plus

   (b) 0.69% x Final Average Earnings x Pension Service between 30 and 40 years.

2. For employees who were participants as of June 1, 1981, the career average pay equal to:

   (a) 1.55% of Compensation up to $6,600, plus

   (b) 2.05% of Compensation over $6,600.

SECTION XI

SUMMARY OF PLAN PROVISIONS
(continued)

Grandfathered VEDO Participants

Benefit is equal to:

(a) 1.25% x Final Average Earnings x Pension Service up to 30 years, plus

(b) 0.45% x Final Average Earnings in excess of Social Security Covered Compensation x Pension Service up to 30 years, all offset by

(c) The benefit earned at DP&L at the close on October 31, 2000.

Temporary Supplement

For grandfathers VEDO participants, the temporary supplement is payable from Early Retirement date to age 65 of $187.50 if not eligible for this supplement from DP&L at October 31, 2001.

Form of Payment

Single Life Annuity if the participant has no spouse as of the date of the first payment. Otherwise, benefits are paid in the form of a 50% Joint and Survivor annuity. The optional forms are a 100% Joint and Survivor annuity, or a life annuity for married participants. Cash balance accounts can also be paid in the form of a lump sum.

Early Retirement Date

Immediately following termination of employment, except for grandfathered participants as noted below.

Grandfathered IEI Participants

On or after attaining age 50 with 10 years of Vesting Service.

Grandfathered SIGECO Participants

On or after attaining age 55 with 5 years of Vesting Service.

Grandfathered VEDO Participants

On or after attaining age 55 with 10 years of Vesting Service.

SECTION XI

SUMMARY OF PLAN PROVISIONS
(continued)

Early Retirement Benefit	Monthly annuity equivalent to the account balance at the time of early retirement, except for grandfathered participants whose monthly benefit will be reduced as noted below:
Grandfathered IEI Participants	7% reduction per year from age 50 to 60 and 6% reduction from age 60 to 63.
Grandfathered SIGECO Participants	5% reduction per year from age 55 to 60 and 2% reduction from age 60 to 62.
Grandfathered VEDO Participants	3% reduction per year from age 55 to 62.
Vesting	Effective January 1, 2008, if a participant terminates employment for reasons other than death or retirement and has attained 3 years of Vesting Service, then he is entitled to 100% of his accrued benefit upon retirement.
Vested Benefits Upon Termination	Monthly annuity equivalent to the account balance at the time of termination, except for grandfathered participants whose monthly benefit will be reduced as noted below:
Grandfathered IEI Participants	7% reduction per year from age 50 to 60 and 6% reduction from age 60 to 63.
Grandfathered SIGECO Participants	6% reduction per year from age 55 to 60 and 3% reduction from age 60 to 62.
Grandfathered VEDO Participants	Actuarial Equivalence based on interest rate of 6% and 1971 Group Annuity Mortality 100% Male table for each year before age 62 and after age 55.
Death Benefit Eligibility	3 years of Vesting Service.

SECTION XI

SUMMARY OF PLAN PROVISIONS
(continued)

Death Benefit

Monthly annuity equivalent to account balance at death, except for grandfathered participants as noted below:

Grandfathered IEI & VEDO Participants

For married participants, surviving spouse receives 50% of the monthly pension benefit as of the date of death, reduced for the 50% Joint & Survivor election and reduced for payment as early as the participant's 55th birthday.

Grandfathered SIGECO participants

Spouse's benefit for death after age 55 is 50% of the participant's accrued benefit.

Account Balance

Sum of (1) through (4) accumulated with interest annually under (5)

(1) Pay Credit

For each Plan Year for which a Participant completes one year of Credited Service and is active as of the last day of the Plan Year, the Participant shall receive a Pay Credit of 2.5% of the Plan Year Compensation at the end of the Plan Year, except as noted below.

Former IEI participants

The Pay Credit for former IEI participants is:

(a) 2.5% of Compensation

(b) 3.5% of Compensation, if age plus service was between 50 and 54 on January 1, 1999.

(c) 4.5% of Compensation, if age plus service was between 55 and 59 on January 1, 1999.

(2) Opening Account Balance

Former IEI participants

The accrued benefit under the IEI plan formula (see Grandfathered IEI Participants) converted into an account balance on January 1, 1999, for all employees who are not IEI grandfathered employees.

Former SIGECO participants

The accrued benefit under the SIGECO formula (see Grandfathered SIGECO Participants) converted into an account balance on July 1, 2000, for all employees who elected the Vectren plan.

SECTION XI

SUMMARY OF PLAN PROVISIONS
(continued)

Account Balance (cont'd)

Former VEDO participants	The accrued benefit under the DP&L formula (see Grandfathered VEDO Participants) converted into an account balance on January 1, 2001.
(3) Additional Credit	For each Plan Year for which a Participant completes one year of Credited Service, the Participant shall receive an Additional Credit at the end of the Plan Year. The Additional Credit is $310 per Plan Year.
(4) Additional Credit Opening Account Balance	$310 per year of service since hire, accumulated at 6.15% until January 1, 2001 if eligible as noted below.
Former IEI participants	Additional credit opening account balances were established for IEI participants who, as of January 1, 2001, were not age 50 with five or more years of service.
Former SIGECO participants	Additional credit opening account balances were established for SIGECO participants who were not age 50 as of July 1, 1998.
Former VEDO participants	All VEDO employees who elected the Vectren plan started with a $0 additional credit opening account balance on January 1, 2001.
(5) Interest Credit	Average of 10-year Treasuries for October of the preceding year plus 1% for all active participants (which will be treated as a contribution credit).

Employee Contributions — None.

DR 2 Q-42. Please provide updated 2009 plan year postretirement welfare plan costs and projected 2010 costs based on actual 2009 plan year results.

Response: **Copies of the actuary reports for the three plans documenting 2009 plan year costs and estimates for 2010 are attached. Please see attached documents titled DR Q-42 Response 1; DR Q-42 Response 2; DR Q-42 Response 3.**

Vectren South-Electric
Cause No. 43839
Response to OUCC Data Request #2

Attachment
DR2 Q-42 Response 1

Vectren IEI Postretirement Welfare Plan

Postretirement Benefit Expense and Financial Disclosure for the Fiscal Year Ended December 31, 2009

and

Preliminary Postretirement Benefit Cost for the Fiscal Year Ending December 31, 2010

TABLE OF CONTENTS

SECTION I

ACTUARIAL CERTIFICATION

Purpose of Report
This report presents the results of the financial disclosure information for the Vectren IEI Postretirement Welfare Plan for the fiscal year ended December 31, 2009 in accordance with the accounting requirements under Statements of Financial Accounting Standards Nos. 106 and 158. The end of year liabilities are based on a 6.00% discount rate. In addition, we have calculated the preliminary FAS 106 Net Periodic Postretirement Benefit Cost (Expense) for the fiscal year ending December 31, 2010. This amount can be considered final, unless there are any material changes affecting the Plan during the current fiscal year such as a change in the benefits provided or a significant change in the covered population or contributions to the Plan, which may require a re-measurement for the changes. Section II contains a summary of the results of the disclosure report.

Methodology
The actuarial assumptions were selected by the company subject to the concurrence of its auditors. Plan asset information is summarized in Section VII. Census data is summarized in Sections VIII. The Actuarial Assumptions are summarized in Section IX. The Plan Provisions are summarized in Section X.

Actuarial Certification of Assumptions and Methods
This report has been prepared in accordance with generally accepted actuarial principles and practices. The accounting calculations in the report are consistent with our understanding of the provisions of FAS Nos. 106 and 158.

Francis P. Carberry

January 29, 2010

Francis P. Carberry, F.S.A., E.A., M.A.A.A.
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January 29, 2010

Peer Review by: Colin B. Cassidy, A.S.A., E.A., M.A.A.A.
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Date

SECTION II

PRINCIPAL RESULTS

A. Comparative Summary of Disclosure	Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
(1) Accumulated postretirement benefit obligation	$ 41,959,009	$ 39,506,001
(2) Fair value of plan assets	0	0
(3) Funded status	(41,959,009)	(39,506,001)
(4) Accumulated other comprehensive income	4,856,258	3,172,587
(5) Net amount recognized	(37,102,751)	(36,333,414)
(6) Market-related value of assets	0	0
(7) Final net periodic postretirement benefit cost	3,770,018	3,773,131
(8) Discount rate	6.00%	6.25%

B. Comparative Summary of Net Periodic Postretirement Benefit Cost	Fiscal Year Ending December 31, 2010	Fiscal Year Ending December 31, 2009
(1) Net periodic postretirement benefit cost	$ 3,760,551	$ 3,770,018
(2) Discount rate	6.00%	6.25%

SECTION III

FAS 158 DISCLOSURE

	Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
A. Change in Benefit Obligation		
(1) Projected benefit obligation at beginning of year	$ 39,506,001	$ 40,195,190
(2) Service cost	259,024	304,419**
(3) Interest cost	2,369,267	2,984,836**
(4) Participant contributions	1,295,092	1,273,476
(5) Plan amendments	0	0
(6) Acquisitions/divestitures	0	0
(7) Exchange rate changes	0	0
(8) Curtailment (gain) or loss	0	0
(9) Settlement (gain) or loss	0	0
(10) Special termination benefits	0	0
(11) Benefits paid	(4,859,372)	(6,180,481)
(12) Federal Medicare Part D Subsidy on Benefits Paid	563,600	676,869 *
(13) Settlement Payments	0	0
(14) Actuarial (gain) or loss	2,825,397	251,692
(15) Projected benefit obligation at end of year	$ 41,959,009	$ 39,506,001
B. Change in Plan Assets		
(1) Fair value of plan assets at beginning of year	$ 0	$ 0
(2) Actual return on plan assets	0	0
(3) Acquisitions/divestitures	0	0
(4) Employer contributions	3,564,280	4,907,005
(5) Participant contributions	1,295,092	1,273,476
(6) Benefits paid	(4,859,372)	(6,180,481)
(7) Settlement payments	0	0
(8) Administrative expenses	0	0
(9) Asset transfer	0	0
(10) Fair value of plan assets at end of year	$ 0	$ 0
C. Funded Status at End of Year: B(10) + B(11) – A(15)	$ (41,959,009)	$ (39,506,001)

* *Includes $175,189 in reallocation for other plans.*
** *Includes amount recognized in adjustment to retained earnings for change in measurement period.*

SECTION III

FAS 158 DISCLOSURE
(continued)

		Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
D.	Amounts Recognized in the Statement of Financial Position Consist of:		
	(1) Noncurrent assets	$ 0	$ 0
	(2) Current liabilities	(3,298,621)	(3,195,458)
	(3) Noncurrent liabilities	(38,660,388)	(36,310,543)
	(4) Total	$ (41,959,009)	$ (39,506,001)
E.	Amounts Recognized in Accumulated Other Comprehensive Income (AOCI) Consist of:		
	(1) Net (gain) or loss	$ (156,358)	$ (2,981,756)
	(2) Prior service cost	0	0
	(3) Transition (asset) obligation	5,012,616	6,154,343
	(4) Accumulated other comprehensive income	$ 4,856,258	$ 3,172,587
F.	Components of Net Periodic Postretirement Benefit Cost		
	(1) Service cost	$ 259,024	$ 243,535
	(2) Interest cost	2,369,267	2,387,869
	(3) Expected return on plan assets	0	0
	(4) Amortization of transition (asset) or obligation	1,141,727	1,141,727
	(5) Amortization of prior service cost	0	0
	(6) Amortization of net (gain) or loss	0	0
	(7) Curtailment (gain) or loss	0	0
	(8) Settlement (gain) or loss	0	0
	(9) Special termination benefits	0	0
	(10) Net periodic postretirement benefit cost	$ 3,770,018	$ 3,773,131

SECTION III

FAS 158 DISCLOSURE
(continued)

		Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
G.	Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income (OCI)		
	(1) Net (gain) or loss	$ 2,825,398	$ 251,701
	(2) Prior service cost	0	0
	(3) Amortization of prior service cost	0	0
	(4) Amortization of transition (asset) or obligation	(1,141,727)	(1,427,159) *
	(5) Total recognized in other comprehensive income	1,683,671	(1,175,458)
	(6) Total recognized in net periodic postretirement benefit cost and OCI	$ 5,453,689	$ 3,540,956
H.	Estimated Amortizations from the AOCI into Net Periodic Postretirement Benefit Cost Over the Next Fiscal Year		
	(1) Amortization of net (gain) or loss	$ 0	$ 0
	(2) Amortization of prior service cost	0	0
	(3) Amortization of transition (asset) or obligation	$ 1,141,727	$ 1,141,727

* *Includes amount recognized in adjustment to retained earnings for change in measurement period.*

SECTION III

FAS 158 DISCLOSURE
(continued)

	Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
Weighted-average assumptions used to determine benefit obligations		
Measurement date	December 31, 2009	December 31, 2008
Discount rate	6.00%	6.25%
Rate of compensation increase	N/A	N/A
Health care cost trend rate assumed for next year	9.00%	6.00%
Ultimate health care cost trend rate	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2014	2010
Weighted-average assumptions used to determine net periodic postretirement benefit cost		
Measurement date	December 31, 2008	September 30, 2007
Discount rate	6.25%	6.25%
Expected long-term rate of return on plan assets	N/A	N/A
Rate of compensation increase	N/A	N/A
Health care cost trend rate assumed for next year	6.00%	7.00%
Ultimate health care cost trend rate	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2010	2010

Assumed health care cost trend rates may have a significant effect on the amounts reported. A one-percentage-point change in assumed health care cost trend rates would have the following effect:

	December 31, 2009	December 31, 2008
1-Percentage Point Increase		
Effect on total of service and interest cost	$ (50,291)	$ (36,354)
Effect on postretirement benefit obligation	$ 337,695	$ (350,333)
1-Percentage Point Decrease		
Effect on total of service and interest cost	$ 34,870	$ 23,544
Effect on postretirement benefit obligation	$ (200,374)	$ 210,990

SECTION III

FAS 158 DISCLOSURE
(continued)

Plan Assets	**Target Allocation**	**Percentage of Plan Assets at December 31**	
Asset Category	**2010**	**2009**	**2008**
Equity Securities	N/A	N/A	N/A
Debt Securities	N/A	N/A	N/A
Real Estate	N/A	N/A	N/A
Other	N/A	N/A	N/A
Total		N/A	N/A

Cash Flows		
Contributions	Employer	Participants
2008	$ 4,230,136	$ 1,273,476
2009	$ 3,000,680	$ 1,295,092
Expected 2010	$ 3,298,621	$ 1,618,178
Benefit Payments		
2008	$ 5,503,612	
2009	$ 4,295,772	
Estimated Future Benefit Payments		
2010	$ 4,916,799	
2011	$ 5,256,588	
2012	$ 5,563,956	
2013	$ 5,910,705	
2014	$ 6,154,733	
Years 2015 - 2019	$ 33,177,747	

SECTION IV

RECONCILIATION OF NET AMOUNT RECOGNIZED

		Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
(1)	Net amount recognized at end of prior year	$ (36,333,414)	$ (34,968,758)
(2)	Net Periodic Postretirement Benefit Cost for the fiscal year	3,770,018	3,773,131
(3)	Contributions paid during the fiscal year	3,000,680	3,351,749
(4)	Recognized in Retained Earnings	N/A	943,283
(5)	Adjustment	1	9
(6)	Net amount recognized at end of current year (1) – (2) + (3) - (4) + (5)	$ (37,102,751)	$ (36,333,414)

SECTION V

DEVELOPMENT OF PRELIMINARY NET PERIODIC POSTRETIREMENT BENEFIT COST

The following calculations were performed in accordance with Statement No. 106 of the Financial Accounting Standards Board (FAS 106) and may be used for purposes of reporting Postretirement Benefit Cost. The net periodic postretirement benefit cost, as required and calculated under FAS 106 will be charged against income, and it will also be disclosed in a footnote to the Company's financial statements.

Actuarial computations under FAS 106 are for purposes of fulfilling employer financial accounting requirements. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results reported herein.

A. Net Periodic Postretirement Benefit Cost		Preliminary Fiscal Year Ending December 31, 2010	Final Fiscal Year Ending December 31, 2009
(1)	Service cost	$ 246,639	$ 259,024
(2)	Interest cost	2,372,185	2,369,267
(3)	Expected return on assets	0	0
(4)	Amortization of transition (asset) or obligation from item B	1,141,727	1,141,727
(5)	Amortization of prior service cost from item C	0	0
(6)	Recognition of (gain) or loss from item D(13)	0	0
(7)	Net periodic postretirement benefit cost: (1) + (2) - (3) + (4) + (5) + (6)	$ 3,760,551	$ 3,770,018

SECTION V

DEVELOPMENT OF PRELIMINARY NET PERIODIC POSTRETIREMENT BENEFIT COST
(continued)

B. Amortization of Transition (Asset) or Obligation

Unrecognized Amount December 31, 2009	Remaining Years in Amortization Period	Amount to be Recognized During 2010
$ 5,012,616	4.39	$ 1,141,727

C. Amortization of Prior Service Cost

None.

SECTION V

DEVELOPMENT OF PRELIMINARY NET PERIODIC POSTRETIREMENT BENEFIT COST
(continued)

D. Development and Recognition of (Gain) or Loss		Fiscal Year Ending December 31, 2010
(1)	Accumulated postretirement benefit obligation	$ 41,959,009
(2)	Fair value of assets	0
(3)	Unrecognized transition (asset) or obligation	5,012,616
(4)	Unrecognized prior service cost	0
(5)	(Accrued) or prepaid postretirement benefit expense	(37,102,751)
(6)	Unrecognized (gain) or loss: (1) – (2) – (3) – (4) + (5)	(156,358)
(7)	(Gain) or loss not reflected in market-related value	
	(a) Fair value of assets	0
	(b) Market-related value of assets	0
	(c) Amount not reflected in market-related value of assets: (a) – (b)	0
(8)	(Gain) or loss subject to amortization: (6) + (7)(c)	(156,358)
(9)	Greater of (1) or (7)(b)	41,959,009
(10)	10% of (9)	4,195,901
(11)	(Gain) or loss, subject to recognition: excess of absolute value of (8) over (10), not less than zero	$ 0
(12)	Average future service of plan participants expected to receive benefits years	10.02 years
(13)	Amount to recognize for the year: (11) ÷ (12)	$ 0

SECTION VI

QUARTERLY NET PERIODIC POSTRETIREMENT BENEFIT COST

Quarterly Net Periodic Postretirement Benefit Cost		Fiscal Year Ending December 31, 2010
(1)	Service cost	$ 61,660
(2)	Interest cost	593,046
(3)	Expected return on assets	0
(4)	Net amortizations	285,432
(5)	Quarterly net periodic postretirement benefit cost: (1) + (2) - (3) + (4)	$ 940,138

SECTION VII

DEVELOPMENT OF MARKET-RELATED VALUE OF ASSETS

There are no assets in the Plan.

SECTION VIII

SUMMARY OF PLAN PARTICIPATION

As of January 1, 2009

	Medical				Life
	Not Grandfathered	**Grandfathered – Subsidized EE Contributions**	**Grandfathered – No EE Contributions**	**Total**	
Actives *	336	0	0	336	336
Retirees	230	22	245	497	583
Spouses	215	19	149	383	0
Total	781	41	394	**1216**	**919**

* *Includes 21 participants on LTD.*

SECTION IX

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS

A. ACTUARIAL COST METHOD

Although, in most instances, the employer does not pay for retiree health benefits until after an employee has retired, the total anticipated cost of such postretirement benefits must be recognized during the employee's working years, in accordance with Statement of Financial Accounting Standards No. 106 (FAS 106).

For each active employee, the discounted present value of all future postretirement benefits is determined, using the assumptions stated in Section III. This amount is divided into "n" equal parts, where "n" is the number of years between an employee's hire date and the date he is first eligible for retirement; the amount of each of the equal parts is the *service cost* portion of the total expense. The service costs for years before the valuation are summed and called the *accumulated postretirement benefit obligation* (APBO). Interest on the APBO as adjusted by the claim payments is the *interest cost.*

The *transition obligation* is equal to the APBO minus any reserves previously accrued for retiree health and any assets set aside for retiree health. The transition obligation is divided by the average working lifetime (or a minimum of 20 years) of the active employees to yield the *amortization of transitional obligation.* The amortization of the transition obligation is reduced to take into account plan changes that reduce benefits.

If plan experience is different than expected, there will be *gains or losses*, which may have to be amortized in accordance with FAS 106.

The *expected return* is the assumed long-term rate of return multiplied by the assets (if any) adjusted by the claim payments. The sum of service cost, interest cost, and amortization minus the expected return is the expense for the year.

B. ASSET VALUATION METHOD

There are no assets in the plan.

C. VALUATION PROCEDURES

The valuation is based on employee, retiree, and financial data provided by the company and summarized in this report. A plan's actuary would not customarily verify this data. We have reviewed the information for internal consistency and we have no reason to doubt its substantial accuracy.

SECTION IX

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS

D. ACTUARIAL ASSUMPTIONS (as of December 31, 2009 Measurement Date)

Principal Rates

Discount rate	6.00% (previously 6.25%).
Expected long-term rate of return on assets	Not Applicable
Annual CPI Increase	3.0% (previously 3.5%).

Pre- and Post-Retirement Mortality: The 2009 Static Mortality Table in accordance with IRS Regulation 1.430(h)(3)-1. (Previously, the IRS 2008 Combined Static Mortality Table).

Turnover: Rates varying by age

Sample rates are shown below:

Attained Age	Rate of Withdrawal
20	6.6%
40	3.8%
50	1.5%

Retirement: Rates varying by age

Sample rates are shown below:

Attained Age	Hourly	Salaried
55	3.0%	3.0%
62	50.0%	30.0%
65	100.0%	60.0%
70	100.0%	100.0%

Disability: None

SECTION IX

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS
(continued)

D. ACTUARIAL ASSUMPTIONS (cont'd)

Per Capita Claims Cost

Age	2010 Claim Cost
< 55	5,533
55 - 59	6,162
60 - 64	8,384
65 - 69	3,615
70 - 74	4,229
75 - 79	4,591
80 – 84	4,772
85-90	4,952
90-94	4,880
95 +	4,519

The medical claims cost analysis was performed by Towers Perrin. Per their report:

- Per capita costs for retirees under age 65 were based on the 2010 active premium equivalent rates. Costs by retiree age were then developed from the blended per capita costs based on the age distribution of active employees and appropriate factors for relative health cost by age.

- Per capita costs for retirees age 65 and over were based on the 2010 over age 65 premium cost provided by Anthem. Costs by retiree age were developed from the 2010 premium rates based on the age distribution of Medicare-eligible retirees and appropriate factors for relative health costs by age.

SECTION IX

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS
(continued)

D. ACTUARIAL ASSUMPTIONS (cont'd)

Medicare Part D Subsidy

Towers Perrin performs the actuarial analysis and determination that the drug benefits are Actuarially Equivalent to Medicare Part D and that Vectren is therefore eligible for the Federal subsidy. We have been informed that Vectren qualifies for federal subsidies in connection with its postretirement prescription drug benefits for retirees and spouses age 65 and over under the Medicare Modernization Act of 2003 (Medicare Part D). It is assumed that the subsidy corridor and the average per capita subsidy amount will increase at the same rate as the per capita prescription drug claim costs.

The expected per capita subsidy for 2010 is $480, as provided by Towers Perrin.

For Vectren-provided prescription drug coverage for all current and future retirees and spouses, eligibility for the subsidy is expected to continue indefinitely.

Participants on Long Term Disability

It is assumed that participants currently on long term disability will retire and elect medical coverage at age 65.

Health Care cost trend rate and medical plan trend rate at all ages:

Year	Trend Rate
2010	9%
2011	8%
2012	7%
2013	6%
2014 and thereafter	5%

Previously, 6% for 2009, 5% thereafter

SECTION IX

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS
(continued)

D. ACTUARIAL ASSUMPTIONS (cont'd)

Participation Contribution Trend Rate	For those retiring January 1, 2006, or later, retiree contributions are based on the difference between plan costs increasing by the medical plan trend rate and the 2006 cost increased with CPI (3.5% annually through 2009; 3.0% for 2010 and thereafter).	
Administrative Expenses	Included in per capita costs.	
Medicare Part B reimbursement per participant	$36.60 per month assumed (1993 premium).	
Medicare Part B trend rate	No increase.	
Life Insurance Coverage	Based on valuation census data for inactives and assumed coverage of $15,000 for future eligible retirees.	
Percent Married	Current Retirees	Future Retirees
Based on valuation census data	85% of males 60% of females	
Spouse Age	Based on valuation census data	Wife three years younger than husband
Participation Rates for Current Retirees	Based on valuation census data	
Participation Rates for Future Retirees	Participant	Dependent
Medical	100%	100%
Life Insurance	100%	N/A
Medicare Part B	100%	N/A

SECTION X

SUMMARY OF PLAN PROVISIONS - MEDICAL BENEFITS

Covered Employees — IEI employees except for those with 310 cash balance accounts.

Eligibility — Retirement after age 55 with 10 years of service

Dependent Eligibility — Spouses and unmarried children under age of 19 or a full-time student under age 23.

Premium Equivalent Rates (2010)

Pre-65	
▪ Anthem HDHP	$315
▪ Premium	$400
▪ Premium Plus	$438
Post-65	$339

Postretirement Contributions (2010)

Grandfathering — Employee contributions for Post-65 coverage differ based on grandfathering eligibility indicators provided in the census data

Retirees

Grandfathering:	None	Full
Pre-65		
▪ HDHP	$157	N/A
▪ Premium	$242	N/A
▪ Premium Plus	$280	N/A
Post-65	$186	$0

Future contributions for Non-grandfathered employees will be determined by the difference between medical coverage cost increases and inflation (CPI)

Employees age 60 or above on January 1, 1996, receive a $50 monthly credit applied toward the Non-grandfathered contributions listed above.

Spouses — Spouses are entitled to the same contribution schedule as employee.

SECTION X

SUMMARY OF PLAN PROVISIONS - MEDICAL BENEFITS
(continued)

Pre-65 Benefits

Choice between two PPOs and HMOs. The Anthem Premium Plus PPO and Anthem HMO are shown below:

	Premium Plus PPO		HMO
	In-Network	Out-of-Network	
Deductible (single/family)	$250/$500	$500/$1000	None
Coinsurance	90%	70%	100%
Out-of-pocket maximum (single/family)	$1,500/$3,000	$3,000/$6,000	None
Prescription Drugs Co-pay			
Generic	$10	$10	$10
Brand	$15	$30	$15
Nonformulary	$25	$50	$25
Mail Order	2 x Co-pay	2 x Co-pay	2 x Co-pay

Post-65 Benefits

	Anthem Insured
Deductible (single/family)	$300/$600
Coinsurance	80%
Out-of-pocket maximum (single/family)	$1,500 per person
Lifetime maximum	$1,000,000
Prescription Drugs	80%
Coordination with Medicare Parts A & B	Carve-out

SECTION X

SUMMARY OF PLAN PROVISIONS - MEDICARE PART B BENEFITS

Covered Employees	IEI employees except those who retired from the Richmond Gas Company and Terre Haute Gas Company before they were merged into Indiana Gas.
Eligibility	Retirement after age 55 with 10 years of service.
Dependent Eligibility	Spouses are not covered.
Benefits	Partial reimbursement of part B premium up to 1993 premium of $36.60 per month.
Postretirement Contributions	None.

SECTION X

SUMMARY OF PLAN PROVISIONS - LIFE INSURANCE BENEFITS

Covered Employees	IEI employees except for those with 310 cash balance accounts.
Eligibility	Retirement after age 55 with 10 years of service.
Dependent Eligibility	Spouses are not covered.
Benefits	
Current Retirees:	Coverage amounts ranging from $2,500 to $100,000 as provided in census data.
Future Retirees:	$15,000.
Postretirement Contributions	None.

Vectren South-Electric
Cause No. 43839
Response to OUCC Data Request #2

Attachment
DR2 Q-42 Response 2

Vectren SIGECO Hourly Postretirement Welfare Plan

Postretirement Benefit Expense and Financial Disclosure for the Fiscal Year Ended December 31, 2009

and

Preliminary Postretirement Benefit Cost for the Fiscal Year Ending December 31, 2010

TABLE OF CONTENTS

SECTION I

ACTUARIAL CERTIFICATION

Purpose of Report

This report presents the results of the financial disclosure information for the Vectren SIGECO Hourly Postretirement Welfare Plan for the fiscal year ended December 31, 2009 in accordance with the accounting requirements under Statements of Financial Accounting Standards Nos. 106 and 158. The end of year liabilities are based on a 6.00% discount rate. In addition, we have calculated the preliminary FAS 106 Net Periodic Postretirement Benefit Cost (Expense) for the fiscal year ending December 31, 2010. This amount can be considered final, unless there are any material changes affecting the Plan during the current fiscal year such as a change in the benefits provided or a significant change in the covered population or contributions to the Plan, which may require a re-measurement for the changes. Section II contains a summary of the results of the disclosure report.

Methodology

The actuarial assumptions were selected by the company subject to the concurrence of its auditors. Plan asset information is summarized in Section VII. Census data is summarized in Sections VIII. The Actuarial Assumptions are summarized in Section IX. The Plan Provisions are summarized in Section X.

Actuarial Certification of Assumptions and Methods

This report has been prepared in accordance with generally accepted actuarial principles and practices. The accounting calculations in the report are consistent with our understanding of the provisions of FAS Nos. 106 and 158.

Francis P. Carberry — *January 29, 2010*

Francis P. Carberry, F.S.A., E.A., M.A.A.A. — Date
Vice President, Senior Consulting Actuary
Enrollment Number: 08 – 05393
Phone: (617) 663-1215
Email: fcarberry@divinvest.com

Colin B. Cassidy — *January 29, 2010*

Peer Review by: Colin B. Cassidy, A.S.A., E.A., M.A.A.A. — Date
Vice President, Senior Consulting Actuary
Phone: (617) 663-1224
Email: cassidc@divinvest.com

SECTION II

PRINCIPAL RESULTS

A. Comparative Summary of Disclosure		Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
(1)	Accumulated postretirement benefit obligation	$ 22,691,214	$ 19,856,806
(2)	Fair value of plan assets	3,984,418	4,261,052
(3)	Funded status	(18,706,796)	(15,595,754)
(4)	Accumulated other comprehensive income	3,513,001	1,207,321
(5)	Net amount recognized	(15,193,795)	(14,388,433)
(6)	Market-related value of assets	3,984,418	4,261,052
(7)	Final net periodic postretirement benefit cost	614,846	12,943
(8)	Discount rate	6.00%	6.25%

B. Comparative Summary of Net Periodic Postretirement Benefit Cost		Fiscal Year Ending December 31, 2010	Fiscal Year Ending December 31, 2009
(1)	Net periodic postretirement benefit cost	$ 900,234	$ 614,846
(2)	Discount rate	6.00%	6.25%

SECTION III

FAS 158 DISCLOSURE

		Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
A.	Change in Benefit Obligation		
(1)	Projected benefit obligation at beginning of year	$ 19,586,806	$ 17,553,130
(2)	Service cost	286,097	354,661**
(3)	Interest cost	1,216,568	1,338,115**
(4)	Participant contributions	1,128,699	1,239,645
(5)	Plan amendments	0	0
(6)	Acquisitions/divestitures	0	0
(7)	Exchange rate changes	0	0
(8)	Curtailment (gain) or loss	0	0
(9)	Settlement (gain) or loss	0	0
(10)	Special termination benefits	0	0
(11)	Benefits paid	(2,232,916)	(2,110,160)
(12)	Federal Medicare Part D Subsidy on Benefits Paid	64,702	(59,436) *
(13)	Settlement Payments	0	0
(14)	Actuarial (gain) or loss	2,371,258	1,540,851
(15)	Projected benefit obligation at end of year	$ 22,691,214	$ 19,856,806
B.	Change in Plan Assets		
(1)	Fair value of plan assets at beginning of year	$ 4,261,052	$ 6,802,830
(2)	Actual return on plan assets	953,399	(1,357,109)
(3)	Acquisitions/divestitures	0	0
(4)	Employer contributions	(125,816)	(314,154)
(5)	Participant contributions	1,128,699	1,239,645
(6)	Benefits paid	(2,232,916)	(2,110,160)
(7)	Settlement payments	0	0
(8)	Administrative expenses	0	0
(9)	Asset transfer	0	0
(10)	Fair value of plan assets at end of year	$ 3,984,418	$ 4,261,052
C.	Funded Status at End of Year: B(10) + B(11) – A(15)	$ (18,706,796)	$ (15,595,754)

**Includes $(97,876) in reallocation to other plans.*
***Includes amount recognized in adjustment to retained earnings for change in measurement period.*

SECTION III

FAS 158 DISCLOSURE
(continued)

		Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
D.	Amounts Recognized in the Statement of Financial Position Consist of:		
(1)	Noncurrent assets	$ 0	$ 0
(2)	Current liabilities	0	0
(3)	Noncurrent liabilities	(18,706,796)	(15,595,754)
(4)	Total	$ (18,706,796)	$ (15,595,754)
E.	Amounts Recognized in Accumulated Other Comprehensive Income (AOCI) Consist of:		
(1)	Net (gain) or loss	$ 6,183,924	$ 4,668,926
(2)	Prior service cost	(2,670,923)	(3,461,605)
(3)	Transition (asset) obligation	0	0
(4)	Accumulated other comprehensive income	$ 3,513,001	$ 1,207,321
F.	Components of Net Periodic Postretirement Benefit Cost		
(1)	Service cost	$ 286,097	$ 283,729
(2)	Interest cost	1,216,568	1,070,492
(3)	Expected return on plan assets	(351,714)	(550,595)
(4)	Amortization of transition (asset) or obligation	0	0
(5)	Amortization of prior service cost	(790,682)	(790,683)
(6)	Amortization of net (gain) or loss	254,577	0
(7)	Curtailment (gain) or loss	0	0
(8)	Settlement (gain) or loss	0	0
(9)	Special termination benefits	0	0
(10)	Net periodic postretirement benefit cost	$ 614,846	$ 12,943

SECTION III

FAS 158 DISCLOSURE
(continued)

		Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
G.	Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income (OCI)		
	(1) Net (gain) or loss	$ 1,514,998	$ 3,586,212
	(2) Prior service cost	0	0
	(3) Amortization of prior service cost	790,682	988,353
	(4) Amortization of transition (asset) or obligation	0	0
	(5) Total recognized in other comprehensive income	2,305,680	4,574,565
	(6) Total recognized in net periodic postretirement benefit cost and OCI	$ 2,920,526	$ 4,590,744
H.	Estimated Amortizations from the AOCI into Net Periodic Postretirement Benefit Cost Over the Next Fiscal Year		
	(1) Amortization of net (gain) or loss	$ 391,480	$ 254,577
	(2) Amortization of prior service cost	(790,682)	(790,682)
	(3) Amortization of transition (asset) or obligation	$ 0	$ 0

* *Includes amount recognized in adjustment to retained earnings for change in measurement period.*

SECTION III

FAS 158 DISCLOSURE
(continued)

	Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
Weighted-average assumptions used to determine benefit obligations		
Measurement date	December 31, 2009	December 31, 2008
Discount rate	6.00%	6.25%
Rate of compensation increase	N/A	N/A
Health care cost trend rate assumed for next year	9.00%	6.00%
Ultimate health care cost trend rate	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2014	2010
Weighted-average assumptions used to determine net periodic postretirement benefit cost		
Measurement date	December 31, 2008	September 30, 2007
Discount rate	6.25%	6.25%
Expected long-term rate of return on plan assets	8.25%	8.25%
Rate of compensation increase	N/A	N/A
Health care cost trend rate assumed for next year	6.00%	7.00%
Ultimate health care cost trend rate	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2010	2010

Assumed health care cost trend rates may have a significant effect on the amounts reported. A one-percentage-point change in assumed health care cost trend rates would have the following effect:

	December 31, 2009	December 31, 2008
1-Percentage Point Increase		
Effect on total of service and interest cost	$ 24,933	$ 25,580
Effect on postretirement benefit obligation	$ 915,429	$ 476,609
1-Percentage Point Decrease		
Effect on total of service and interest cost	$ (25,460)	$ (25,562)
Effect on postretirement benefit obligation	$ (810,913)	$ (456,988)

SECTION III

FAS 158 DISCLOSURE
(continued)

Plan Assets		**Percentage of Plan Assets at December 31**	
Asset Category	**Target Allocation 2010**	**2009**	**2008**
Equity Securities	75%	77%	72%
Debt Securities	25%	22%	25%
Real Estate	0%	0%	0%
Other	0%	1%	3%
Total		100%	100%

Cash Flows		
Contributions	Employer	Participants
2008	$ (254,718)	$ 1,239,645
2009	$ (190,338)	$ 1,128,699
Expected 2010	$ 821,256	$ 203,544
Benefit Payments		
2008	$ 2,169,596	
2009	$ 2,168,394	
Estimated Future Benefit Payments		
2010	$ 1,024,804	
2011	$ 1,149,463	
2012	$ 1,314,947	
2013	$ 1,535,786	
2014	$ 1,808,577	
Years 2015 - 2019	$ 13,451,135	

SECTION IV

RECONCILIATION OF NET AMOUNT RECOGNIZED

		Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
(1)	Net amount recognized at end of prior year	$ (14,388,433)	$ (14,081,089)
(2)	Net Periodic Postretirement Benefit Cost for the fiscal year	614,846	12,943
(3)	Contributions paid during the fiscal year	(190,518)	(291,173)
(4)	Recognized in Retained Earnings	N/A	3,236
(5)	Adjustment	2	8
(6)	Net amount recognized at end of current year (1) - (2) + (3) - (4) + (5)	$ (15,193,795)	$ (14,388,433)

SECTION V

DEVELOPMENT OF PRELIMINARY NET PERIODIC POSTRETIREMENT BENEFIT COST

The following calculations were performed in accordance with Statement No. 106 of the Financial Accounting Standards Board (FAS 106) and may be used for purposes of reporting Postretirement Benefit Cost. The net periodic postretirement benefit cost, as required and calculated under FAS 106 will be charged against income, and it will also be disclosed in a footnote to the Company's financial statements.

Actuarial computations under FAS 106 are for purposes of fulfilling employer financial accounting requirements. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results reported herein.

A. Net Periodic Postretirement Benefit Cost	Preliminary Fiscal Year Ending December 31, 2010	Final Fiscal Year Ending December 31, 2009
(1) Service cost	$ 279,419	$ 286,097
(2) Interest cost	1,331,177	1,216,568
(3) Expected return on assets	311,160	351,714
(4) Amortization of transition (asset) or obligation from item B	0	0
(5) Amortization of prior service cost from item C	(790,682)	(790,682)
(6) Recognition of (gain) or loss from item D(13)	391,480	254,577
(7) Net periodic postretirement benefit cost: (1) + (2) - (3) + (4) + (5) + (6)	$ 900,234	$ 614,846

SECTION V

DEVELOPMENT OF PRELIMINARY NET PERIODIC POSTRETIREMENT BENEFIT COST
(continued)

B. Amortization of Transition (Asset) or Obligation

None.

C. Amortization of Prior Service Cost

Date Established	Unrecognized Amount December 31, 2009	Remaining Years in Amortization Period	Amount to be Recognized During 2010
Not Provided	$ (2,670,923)	3.38	$ (790,682)

SECTION V

DEVELOPMENT OF PRELIMINARY NET PERIODIC POSTRETIREMENT BENEFIT COST
(continued)

D. Development and Recognition of (Gain) or Loss		Fiscal Year Ending December 31, 2010
(1)	Accumulated postretirement benefit obligation	$ 22,691,214
(2)	Fair value of assets	3,984,418
(3)	Unrecognized transition (asset) or obligation	0
(4)	Unrecognized prior service cost	(2,670,923)
(5)	(Accrued) or prepaid postretirement benefit expense	(15,193,795)
(6)	Unrecognized (gain) or loss: (1) – (2) – (3) – (4) + (5)	6,183,924
(7)	(Gain) or loss not reflected in market-related value	
	(a) Fair value of assets	3,984,418
	(b) Market-related value of assets	3,984,418
	(c) Amount not reflected in market-related value of assets: (a) – (b)	0
(8)	(Gain) or loss subject to amortization: (6) + (7)(c)	6,183,924
(9)	Greater of (1) or (7)(b)	22,691,214
(10)	10% of (9)	2,269,121
(11)	(Gain) or loss, subject to recognition: excess of absolute value of (8) over (10), not less than zero	$ 3,914,803
(12)	Average future service of plan participants expected to receive benefits years	10.00 years
(13)	Amount to recognize for the year: (11) ÷ (12)	$ 391,480

SECTION VI

QUARTERLY NET PERIODIC POSTRETIREMENT BENEFIT COST

Quarterly Net Periodic Postretirement Benefit Cost		Fiscal Year Ending December 31, 2010
(1)	Service cost	$ 69,855
(2)	Interest cost	332,794
(3)	Expected return on assets	77,790
(4)	Net amortizations	(99,801)
(5)	Quarterly net periodic postretirement benefit cost: (1) + (2) - (3) + (4)	$ 225,058

SECTION VII

DEVELOPMENT OF MARKET-RELATED VALUE OF ASSETS

There are no assets in the Plan.

SECTION VIII

SUMMARY OF PLAN PARTICIPATION

As of July 1, 2009

	Medical				Life
	Not Grandfathered	**Grandfathered – Subsidized EE Contributions**	**Grandfathered – No EE Contributions**	**Total**	
Actives *	292	23	0	315	315
Retirees	0	32	111	143	145
Spouses	35	0	0	35	0
Total	327	55	111	**493**	**450**

* *Includes 16 participants on LTD.*

SECTION IX

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS

A. ACTUARIAL COST METHOD

Although, in most instances, the employer does not pay for retiree health benefits until after an employee has retired, the total anticipated cost of such postretirement benefits must be recognized during the employee's working years, in accordance with Statement of Financial Accounting Standards No. 106 (FAS 106).

For each active employee, the discounted present value of all future postretirement benefits is determined, using the assumptions stated in Section III. This amount is divided into "n" equal parts, where "n" is the number of years between an employee's hire date and the date he is first eligible for retirement; the amount of each of the equal parts is the *service cost* portion of the total expense. The service costs for years before the valuation are summed and called the *accumulated postretirement benefit obligation* (APBO). Interest on the APBO as adjusted by the claim payments is the *interest cost.*

The *transition obligation* is equal to the APBO minus any reserves previously accrued for retiree health and any assets set aside for retiree health. The transition obligation is divided by the average working lifetime (or a minimum of 20 years) of the active employees to yield the *amortization of transitional obligation.* The amortization of the transition obligation is reduced to take into account plan changes that reduce benefits. There is no remaining unrecognized transition obligation.

If plan experience is different than expected, there will be *gains or losses*, which may have to be amortized in accordance with FAS 106.

The *expected return* is the assumed long-term rate of return multiplied by the assets (if any) adjusted by the claim payments. The sum of service cost, interest cost, and amortization minus the expected return is the expense for the year.

B. ASSET VALUATION METHOD

The market-related value of assets is equal to the fair value of assets.

C. VALUATION PROCEDURES

The valuation is based on employee, retiree, and financial data provided by the company and trustee, respectively, and summarized in this report. A plan's actuary would not customarily verify this data. We have reviewed the information for internal consistency and we have no reason to doubt its substantial accuracy.

SECTION IX

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS

D. ACTUARIAL ASSUMPTIONS (as of December 31, 2009 Measurement Date)

Principal Rates

Discount rate	6.00% (previously 6.25%).
Expected long-term rate of return on assets	8.00% (previously 8.25%).
Annual CPI increase	3.00% (previously 3.50%).

Pre- and Post-Retirement Mortality: The 2009 Static Mortality table in accordance with IRS Regulations 1.430(h)(3)-1 (Previously, the IRS 2008 Combined Static Mortality Table.)

Turnover: Rates varying by age

Sample withdrawal rates are shown below:

Attained Age	Rate of Withdrawal
20	6.6%
40	3.8%
50	1.5%

Retirement: Rates varying by age

Sample withdrawal rates are shown below:

Attained Age	Rate of Retirement
55	2.0%
62	35.0%
65	100.0%
70	100.0%

Disability: None

SECTION IX

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS
(continued)

D. ACTUARIAL ASSUMPTIONS (cont'd)

Per Capita Claims Cost

Age	2010 Claim Cost
< 55	$ 5,533
55 - 59	6,162
60 - 64	8,384
65 - 69	3,615
70 - 74	4,229
75 - 79	4,591
80 - 84	4,772
85 - 90	4,952
90 - 94	4,880
95+	4,519

The medical claims cost analysis was performed by Towers Perrin. Per their report:

- Per capita costs for retirees under age 65 were based on the 2010 active/under age 65 retiree premium equivalent rates. Costs based on the age were then developed from the blended per capita costs based on the age distribution of active employees and the retirees and appropriate factors for relative health cost by age.

- Per capita costs for retirees age 65 and over were based on the 2010 over age 65 premium cost provided by Anthem. Costs by retiree age were developed from the 2010 premium rates based on the age distribution of Medicare-eligible retirees and appropriate factors for relative health costs by age.

SECTION IX

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS
(continued)

D. ACTUARIAL ASSUMPTIONS (cont'd)

Medicare Part D Subsidy

Towers Perrin performs the actuarial analysis and determination that the drug benefits are Actuarially Equivalent to Medicare Part D and that Vectren is therefore eligible for the Federal subsidy. We have been informed that Vectren qualifies for federal subsidies in connection with its postretirement prescription drug benefits for retirees and spouses age 65 and over under the Medicare Modernization Act of 2003 (Medicare Part D). It is assumed that the subsidy corridor and the average per capita subsidy amount will increase at the same rate as the per capita prescription drug claim costs.

The 2010 subsidy received per eligible participant is assumed to be $480 per month, as provided by Towers Perrin.

For Vectren-provided prescription drug coverage for all current and future retirees and spouses, eligibility for the subsidy is expected to continue indefinitely.

Health Care cost trend rate and medical plan trend rate at all ages:

Year	Trend Rate
2010	9%
2011	8%
2012	7%
2013	6%
2014 and thereafter	5%

Previously, 6% for 2009, 5% thereafter

Participation Contribution Trend Rate

For Non-teamsters retiring on January 1, 2006, or later, who were less than age 60 on January 1, 2006 retiree contributions are based on the difference between plan costs increased with the above Health Care cost trend rates and the 2006 cost increased with CPI (3.5% annually through 2009, 3.0% for 2010 and thereafter).

Administrative Expenses

Included in per capita costs.

SECTION IX

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS
(continued)

Medicare Part B Reimbursement per Participant	$96.40 per month assumed for 2009.	
Medicare Part B Trend Rate	Same as applicable medical plan trend rate.	
	Current Retirees	Future Retirees
Percent Married	Based on valuation census data	85% of males 60% of females
Spouse Age	Based on valuation census data	Wife three years younger than husband
Participation Rates for Current Retirees	Based on valuation census data	
Participants on Long Term Disability	It is assumed that participants currently on long term disability will retire and elect medical coverage at age 65	
Participation Rates for Future Retirees	Participant	Dependent
Medical	100%	100%
Life Insurance	100%	N/A
Medicare Part B	100%	N/A

SECTION X

SUMMARY OF PLAN PROVISIONS - MEDICAL BENEFITS

Covered Employees

Teamsters Local 135 Hourly Employees (Hoosier Gas Hourly), and IBEW Local 702 Hourly Employees (SIGECO Hourly) except for those employees with 310 cash balance accounts.

Eligibility

Retirement on or after age 55.

Dependent Eligibility

Spouses and unmarried children under age 19 or a full-time student under age 23.

Premium Equivalent Rates (2010)

Pre-65	
▪ HDHP	$315
▪ Premium	$400
▪ Premium Plus	$438
Post-65	$339

Postretirement Contributions (2010)

Grandfathering

Employee contributions differ based on grandfathering eligibility indicators provided in the census data.

Employees

	SIGECO			Hoosier
Grandfathering:	None	Semi	Full	N/A
Pre-65				
▪ HDHP	$0	$0	$0	$157
▪ Premium	$36	$20	$0	$200
▪ Premium Plus	$74	$58	$0	$219
▪ Welborn Reg	$72	$51	$0	$216
Post-65	N/A	N/A	N/A	$170

Future contributions for Non-grandfathered employees will be determined by the difference between medical coverage cost increases and inflation (CPI).

Spouses

100% of premium equivalent rate.

SECTION X

SUMMARY OF PLAN PROVISIONS - MEDICAL BENEFITS
(continued)

Pre-65 Benefits

Choice between two PPOs and HMOs. The Anthem Premium Plus PPO and Anthem HMO are shown below:

	Premium Plus PPO		HMO
	In-Network	Out-of-Network	
Deductible (single/family)	$250/$500	$500/$1000	None
Coinsurance	90%	70%	100%
Out-of-pocket maximum (single/family)	$1,500/$3,000	$3,000/$6,000	None
Prescription Drugs Co-pay			
Generic	$10	$10	$10
Brand	$15	$30	$15
Nonformulary	$25	$50	$25
Mail Order	2 x Co-pay	2 x Co-pay	2 x Co-pay

Post-65 Benefits

	Anthem Insured
Deductible (single/family)	$300/$600
Coinsurance	80%
Out-of-pocket maximum (single/family)	$1,500 per person
Lifetime maximum	$1,000,000
Prescription Drugs	80%
Coordination with Medicare Parts A & B	Carve-out

SECTION X

SUMMARY OF PLAN PROVISIONS - MEDICARE PART B BENEFITS

Covered Employees	Teamsters Local 135 Hourly Employees (Hoosier Gas Hourly), and IBEW Local 702 Hourly Employees (SIGECO Hourly) except for those employees with 310 cash balance accounts.
Eligibility	Retirement on or after age 55.
Dependent Eligibility	Spouses are not covered.
Benefits	Reimbursement of Part B premium for retiree.
Postretirement Contributions	None.

SECTION X

SUMMARY OF PLAN PROVISIONS - LIFE INSURANCE BENEFITS

Covered Employees	Teamsters Local 135 Hourly Employees (Hoosier Gas Hourly), and IBEW Local 702 Hourly Employees (SIGECO Hourly) except for those employees with 310 cash balance accounts.	
Eligibility	Retirement on or after age 55.	
Dependent Eligibility	Spouses are not covered.	
Benefits		
Current Retirees:	Coverage amounts ranging from $1,200 to $25,000 as provided in census data.	
Future Retirees:	SIGECO Hourly	$3,000
	Hoosier Hourly	50% times pay with a maximum of $25,000
Postretirement Contributions	SIGECO Hourly	None.
	Hoosier Hourly	$4.18 per month per $1,000 of benefit coverage.

Vectren South-Electric
Cause No. 43839
Response to OUCC Data Request #2

Attachment
DR2 Q-42 Response 3

Vectren SIGECO Salaried Postretirement Welfare Plan

Postretirement Benefit Expense and Financial Disclosure for the Fiscal Year Ended December 31, 2009

and

Preliminary Postretirement Benefit Cost for the Fiscal Year Ending December 31, 2010

TABLE OF CONTENTS

SECTION I

ACTUARIAL CERTIFICATION

Purpose of Report
This report presents the results of the financial disclosure information for the Vectren SIGECO Salaried Postretirement Welfare Plan for the fiscal year ended December 31, 2009 in accordance with the accounting requirements under Statements of Financial Accounting Standards Nos. 106 and 158. The end of year liabilities are based on a 6.00% discount rate. In addition, we have calculated the preliminary FAS 106 Net Periodic Postretirement Benefit Cost (Expense) for the fiscal year ending December 31, 2010. This amount can be considered final, unless there are any material changes affecting the Plan during the current fiscal year such as a change in the benefits provided or a significant change in the covered population or contributions to the Plan, which may require a re-measurement for the changes. Section II contains a summary of the results of the disclosure report.

Methodology
The actuarial assumptions were selected by the company subject to the concurrence of its auditors. Plan asset information is summarized in Section VII. Census data is summarized in Sections VIII. The Actuarial Assumptions are summarized in Section IX. The Plan Provisions are summarized in Section X.

Actuarial Certification of Assumptions and Methods
This report has been prepared in accordance with generally accepted actuarial principles and practices. The accounting calculations in the report are consistent with our understanding of the provisions of FAS Nos. 106 and 158.

Francis P. Carberry — *January 29, 2010*

Francis P. Carberry, F.S.A., E.A., M.A.A.A. — Date
Vice President, Senior Consulting Actuary
Enrollment Number: 08 - 05393
Phone: (617) 663-1215
Email: fcarberry@divinvest.com

Colin B. Cassidy — *January 29, 2010*

Peer Review by: Colin B. Cassidy, A.S.A., E.A., M.A.A.A. — Date
Vice President, Senior Consulting Actuary
Phone: (617) 663-1224
Email: cassidc@divinvest.com

SECTION II

PRINCIPAL RESULTS

A. Comparative Summary of Disclosure		Fiscal Year Ending December 31, 2009		Fiscal Year Ending December 31, 2008
(1) Accumulated postretirement benefit obligation	$	14,918,853	$	12,969,284
(2) Fair value of plan assets		0		0
(3) Funded status		(14,918,853)		(12,969,284)
(4) Accumulated other comprehensive income		3,463,867		1,596,245
(5) Net amount recognized		(11,454,986)		(11,373,039)
(6) Market-related value of assets		0		0
(7) Final net periodic postretirement benefit cost		881,215		715,012
(8) Discount rate		6.00%		6.25%

B. Comparative Summary of Net Periodic Postretirement Benefit Cost		Fiscal Year Ending December 31, 2010		Fiscal Year Ending December 31, 2009
(1) Net periodic postretirement benefit cost	$	978,355	$	881,215
(2) Discount rate		6.00%		6.25%

SECTION III

FAS 158 DISCLOSURE

		Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
A.	Change in Benefit Obligation		
(1)	Projected benefit obligation at beginning of year	$ 12,969,284	$ 12,469,263
(2)	Service cost	0	0
(3)	Interest cost	776,749	924,364**
(4)	Participant contributions	339,048	283,169
(5)	Plan amendments	0	0
(6)	Acquisitions/divestitures	0	0
(7)	Exchange rate changes	0	0
(8)	Curtailment (gain) or loss	0	0
(9)	Settlement (gain) or loss	0	0
(10)	Special termination benefits	0	0
(11)	Benefits paid	(1,277,806)	(1,550,442)
(12)	Federal Medicare Part D Subsidy on Benefits Paid	139,484	127,947 *
(13)	Settlement payments	0	0
(14)	Actuarial (gain) or loss	1,972,094	714,983
(15)	Projected benefit obligation at end of year	$ 14,918,853	$ 12,969,284
B.	Change in Plan Assets		
(1)	Fair value of plan assets at beginning of year	$ 0	$ 0
(2)	Actual return on plan assets	0	0
(3)	Acquisitions/divestitures	0	0
(4)	Employer contributions	938,758	1,267,273
(5)	Participant contributions	339,048	283,169
(6)	Benefits paid	(1,277,806)	(1,550,442)
(7)	Settlement payments	0	0
(8)	Administrative expenses	0	0
(9)	Asset transfer	0	0
(10)	Fair value of plan assets at end of year	$ 0	$ 0
C.	Funded Status at End of Year: B(10) + B(11) – A(15)	$ (14,918,853)	$ (12,969,284)

* *Includes $39,911 in reallocation from other plans.*
** *Includes amount recognized in adjustment to retained earnings for change in measurement period.*

SECTION III

FAS 158 DISCLOSURE
(continued)

		Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
D.	Amounts Recognized in the Statement of Financial Position Consist of:		
	(1) Noncurrent assets	$ 0	$ 0
	(2) Current liabilities	(1,192,487)	(1,082,606)
	(3) Noncurrent liabilities	(13,726,366)	(11,886,678)
	(4) Total	$ (14,918,853)	$ (12,969,284)
E.	Amounts Recognized in Accumulated Other Comprehensive Income (AOCI) Consist of:		
	(1) Net (gain) or loss	$ 3,635,219	$ 1,792,076
	(2) Prior service cost	(171,352)	(195,831)
	(3) Transition (asset) obligation	0	0
	(4) Accumulated other comprehensive income	$ 3,463,867	$ 1,596,245
F.	Components of Net Periodic Postretirement Benefit Cost		
	(1) Service cost	$ 0	$ 0
	(2) Interest cost	776,749	739,491
	(3) Expected return on plan assets	0	0
	(4) Amortization of transition (asset) or obligation	0	0
	(5) Amortization of prior service cost	(24,479)	(24,479)
	(6) Amortization of net (gain) or loss	128,945	0
	(7) Curtailment (gain) or loss	0	0
	(8) Settlement (gain) or loss	0	0
	(9) Special termination benefits	0	0
	(10) Net periodic postretirement benefit cost	$ 881,215	$ 715,012

SECTION III

FAS 158 DISCLOSURE
(continued)

	Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
G. Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income (OCI)		
(1) Net (gain) or loss	$ 1,843,143	$ 714,974
(2) Prior service cost	0	0
(3) Amortization of prior service cost	24,479	30,599
(4) Amortization of transition (asset) or obligation	0	0
(5) Total recognized in other comprehensive income	1,867,622	745,573
(6) Total recognized in net periodic postretirement benefit cost and OCI	$ 2,748,837	$ 1,639,338
H. Estimated Amortizations from the AOCI into Net Periodic Postretirement Benefit Cost Over the Next Fiscal Year		
(1) Amortization of net (gain) or loss	$ 147,308	$ 128,945
(2) Amortization of prior service cost	(24,479)	(24,479)
(3) Amortization of transition (asset) or obligation	$ 0	$ 0

SECTION III

FAS 158 DISCLOSURE
(continued)

	Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
Weighted-average assumptions used to determine benefit obligations		
Measurement date	December 31, 2009	December 31, 2008
Discount rate	6.00%	6.25%
Rate of compensation increase	N/A	N/A
Health care cost trend rate assumed for next year	9.00%	6.00%
Ultimate health care cost trend rate	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2014	2010
Weighted-average assumptions used to determine net periodic postretirement benefit cost		
Measurement date	December 31, 2008	September 30, 2007
Discount rate	6.25%	6.25%
Expected long-term rate of return on plan assets	N/A	N/A
Rate of compensation increase	N/A	N/A
Health care cost trend rate assumed for next year	6.00%	7.00%
Ultimate health care cost trend rate	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2010	2010

Assumed health care cost trend rates may have a significant effect on the amounts reported. A one-percentage-point change in assumed health care cost trend rates would have the following effect:

	December 31, 2009	December 31, 2008
1-Percentage Point Increase		
Effect on total of service and interest cost	$ 66,516	$ 65,009
Effect on postretirement benefit obligation	$ 1,294,734	$ 1,064,265
1-Percentage Point Decrease		
Effect on total of service and interest cost	$ (58,472)	$ (56,911)
Effect on postretirement benefit obligation	$ (1,137,187)	$ (935,537)

SECTION III

FAS 158 DISCLOSURE
(continued)

Plan Assets	Target Allocation	Percentage of Plan Assets at December 31	
Asset Category	**2010**	**2009**	**2008**
Equity Securities	N/A	N/A	N/A
Debt Securities	N/A	N/A	N/A
Real Estate	N/A	N/A	N/A
Other	N/A	N/A	N/A
Total		N/A	N/A

Cash Flows		
Contributions	Employer	Participants
2008	$ 1,139,326	$ 283,169
2009	$ 800,474	$ 339,048
Expected 2010	$ 1,192,487	$ 147,183
Benefit Payments		
2008	$ 1,422,495	
2009	$ 1,139,522	
Estimated Future Benefit Payments		
2010	$ 1,339,670	
2011	$ 1,398,823	
2012	$ 1,395,390	
2013	$ 1,402,233	
2014	$ 1,402,732	
Years 2015 - 2019	$ 6,726,374	

SECTION IV

RECONCILIATION OF NET AMOUNT RECOGNIZED

		Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2008
(1)	Net amount recognized at end of prior year	$ (11,373,039)	$ (11,422,070)
(2)	Net Periodic Postretirement Benefit Cost for the fiscal year	881,215	715,012
(3)	Contributions paid during the fiscal year	799,274	942,805
(4)	Recognized in Retained Earnings *	N/A	178,753
(5)	Adjustment	(6)	(9)
(6)	Net amount recognized at end of current year (1) - (2) + (3) - (4) + (5)	$ (11,454,986)	$ (11,373,039)

SECTION V

DEVELOPMENT OF PRELIMINARY NET PERIODIC POSTRETIREMENT BENEFIT COST

The following calculations were performed in accordance with Statement No. 106 of the Financial Accounting Standards Board (FAS 106) and may be used for purposes of reporting Postretirement Benefit Cost. The net periodic postretirement benefit cost, as required and calculated under FAS 106 will be charged against income, and it will also be disclosed in a footnote to the Company's financial statements.

Actuarial computations under FAS 106 are for purposes of fulfilling employer financial accounting requirements. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results reported herein.

A. Net Periodic Postretirement Benefit Cost	Preliminary Fiscal Year Ending December 31, 2010	Final Fiscal Year Ending December 31, 2009
(1) Service cost	$ 0	$ 0
(2) Interest cost	855,526	776,749
(3) Expected return on assets	0	0
(4) Amortization of transition (asset) or obligation from item B	0	0
(5) Amortization of prior service cost from item C	(24,479)	(24,479)
(6) Recognition of (gain) or loss from item D(13)	147,308	128,945
(7) Net periodic postretirement benefit cost: (1) + (2) - (3) + (4) + (5) + (6)	$ 978,355	$ 881,215

SECTION V

DEVELOPMENT OF PRELIMINARY NET PERIODIC POSTRETIREMENT BENEFIT COST
(continued)

B. Amortization of Transition (Asset) or Obligation

None.

C. Amortization of Prior Service Cost

Date Established	Unrecognized Amount December 31, 2009	Remaining Years in Amortization Period	Amount to be Recognized During 2010
-	$ (171,352)	7.00	$ (24,479)

SECTION V

DEVELOPMENT OF PRELIMINARY NET PERIODIC POSTRETIREMENT BENEFIT COST
(continued)

D. Development and Recognition of (Gain) or Loss		Fiscal Year Ending December 31, 2010
(1)	Accumulated postretirement benefit obligation	$ 14,918,853
(2)	Fair value of assets	0
(3)	Unrecognized transition (asset) or obligation	0
(4)	Unrecognized prior service cost	(171,352)
(5)	(Accrued) or prepaid postretirement benefit expense	(11,454,986)
(6)	Unrecognized (gain) or loss: (1) – (2) – (3) – (4) + (5)	3,635,219
(7)	(Gain) or loss not reflected in market-related value	
	(a) Fair value of assets	0
	(b) Market-related value of assets	0
	(c) Amount not reflected in market-related value of assets: (a) – (b)	0
(8)	(Gain) or loss subject to amortization: (6) + (7)(c)	3,635,219
(9)	Greater of (1) or (7)(b)	14,918,853
(10)	10% of (9)	1,491,885
(11)	(Gain) or loss, subject to recognition: excess of absolute value of (8) over (10), not less than zero	$ 2,143,334
(12)	Average expected future lifetime of plan participants	14.55 years
(13)	Amount to recognize for the year: (11) ÷ (12)	$ 147,308

SECTION VI

QUARTERLY NET PERIODIC POSTRETIREMENT BENEFIT COST

Quarterly Net Periodic Postretirement Benefit Cost		Fiscal Year Ending December 31, 2010
(1)	Service cost	$ 0
(2)	Interest cost	213,882
(3)	Expected return on assets	0
(4)	Net amortizations	30,707
(5)	Quarterly net periodic postretirement benefit cost: (1) + (2) – (3) + (4)	$ 244,589

SECTION VII

DEVELOPMENT OF MARKET-RELATED VALUE OF ASSETS

There are no assets in the Plan.

SECTION VIII

SUMMARY OF PLAN PARTICIPATION

As of January 1, 2009

	Medical				Life
	Not Grandfathered	**Grandfathered – Subsidized EE Contributions**	**Grandfathered – No EE Contributions**	**Total**	
Actives*	13	6	0	19	19
Retirees	0	27	173	200	201
Spouses	41	0	0	41	0
Total	54	33	173	**260**	**220**

* *Includes 2 participants on LTD.*

SECTION IX

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS

A. ACTUARIAL COST METHOD

Although, in most instances, the employer does not pay for retiree health benefits until after an employee has retired, the total anticipated cost of such postretirement benefits must be recognized during the employee's working years, in accordance with Statement of Financial Accounting Standards No. 106 (FAS 106).

For each active employee, the discounted present value of all future postretirement benefits is determined, using the assumptions stated in Section III. This amount is divided into "n" equal parts, where "n" is the number of years between an employee's hire date and the date he is first eligible for retirement; the amount of each of the equal parts is the *service cost* portion of the total expense. The service costs for years before the valuation are summed and called the *accumulated postretirement benefit obligation* (APBO). Interest on the APBO as adjusted by the claim payments is the *interest cost.*

The *transition obligation* is equal to the APBO minus any reserves previously accrued for retiree health and any assets set aside for retiree health. The transition obligation is divided by the average working lifetime (or a minimum of 20 years) of the active employees to yield the *amortization of transitional obligation.* The amortization of the transition obligation is reduced to take into account plan changes that reduce benefits. There is no remaining unrecognized transition obligation.

If plan experience is different than expected, there will be *gains or losses*, which may have to be amortized in accordance with FAS 106.

The *expected return* is the assumed long-term rate of return multiplied by the assets (if any) adjusted by the claim payments. The sum of service cost, interest cost, and amortization minus the expected return is the expense for the year.

B. ASSET VALUATION METHOD

The market-related value of assets is equal to the fair value of assets.

C. VALUATION PROCEDURES

The valuation is based on employee, retiree, and financial data provided by the company and trustee, respectively, and summarized in this report. A plan's actuary would not customarily verify this data. We have reviewed the information for internal consistency and we have no reason to doubt its substantial accuracy.

SECTION IX

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS
(continued)

D. ACTUARIAL ASSUMPTIONS (as of December 31, 2009 Measurement Date)

Principal Rates

Discount rate	6.00% (previously 6.25%).
Expected long-term rate of return on assets	8.00% (previously 8.25%).
Annual CPI increase	3.0% (previously 3.5%).

Pre- and Post-Retirement Mortality

The 2009 Static Mortality Table in accordance with 1.43(h)(3)-1. (previously, the IRS 2008 Combined Static Mortality Table).

Turnover

Rates varying by age

Sample rates are shown below:

Attained Age	Rate of Withdrawal
20	6.6%
40	3.8%
50	1.5%

Retirement

Rates varying by age

Sample rates are shown below:

Attained Age	Rate of Retirement
55	3.0%
62	30.0%
65	60.0%
70	100.0%

Disability

None

SECTION IX

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS
(continued)

D. ACTUARIAL ASSUMPTIONS (cont'd)

Per Capita Claims Cost

Age	2010 Claim Cost
< 55	$ 5,533
55 - 59	6,162
60 - 64	8,384
65 - 69	3,615
70 - 74	4,229
75 - 79	4,591
80 - 84	4,772
85 - 90	4,952
90 -94	4,880
95+	4,519

The medical claims cost analysis was performed by Towers Perrin. Per their report:

- Per capita costs for retirees under age 65 were based on the 2010 active premium equivalent rates. Costs based on the age were then developed from the blended per capita costs based on the age distribution of active employees and the retirees and appropriate factors for relative health cost by age.

- Per capita costs for retirees age 65 and over were based on the 2010 over age 65 premium cost provided by Anthem. Costs by retiree age were developed from the 2010 premium rates based on the age distribution of Medicare-eligible retirees and appropriate factors for relative health costs by age.

SECTION IX

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS
(continued)

D. ACTUARIAL ASSUMPTIONS (cont'd)

Medicare Part D Subsidy

Towers Perrin performs the actuarial analysis and determination that the drug benefits are Actuarially Equivalent to Medicare Part D and that Vectren is therefore eligible for the Federal subsidy. We have been informed that Vectren qualifies for federal subsidies in connection with its postretirement prescription drug benefits for retirees and spouses age 65 and over under the Medicare Modernization Act of 2003 (Medicare Part D). It is assumed that the subsidy corridor and the average per capita subsidy amount will increase at the same rate as the per capita prescription drug claim costs.

The 2010 subsidy received per eligible participant is assumed to be $480 per month, as provided by Towers Perrin.

For Vectren-provided prescription drug coverage for all current and future retirees and spouses, eligibility for the subsidy is expected to continue indefinitely.

Health Care cost trend rate and medical plan trend rate at all ages:

Year	Postretirement Welfare Cost
2010	9%
2011	8%
2012	7%
2013	6%
2014 and thereafter	5%

Previously, 6% in 2009, 5% thereafter

Participation Contribution Trend Rate: For those retiring on January 1, 2006, or later, who were less than age 60 on January 1, 2006 retiree contributions are based on the difference between plan costs increased with the above Health Care cost trend rates and the 2006 cost increased with CPI (3.5% annually through 2009, 3% for 2010 and thereafter).

Administrative Expenses: Included in per capita costs.

Medicare Part B Reimbursement per Participant: $98.40 per month assumed for 2009.

SECTION IX

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS
(continued)

D. ACTUARIAL ASSUMPTIONS (cont'd)

Medicare Part B Trend Rate   Same as applicable medical plan trend rate

	Current Retirees	Future Retirees
Percent Married	Based on valuation census data	85% of males 60% of females
Spouse Age	Based on valuation census data	Wife three years younger than husband

Participation Rates for Current Retirees: Based on valuation census data

Participants on Long Term Disability: It is assumed that participants currently on long term disability will retire and elect medical coverage at age 65

Participation Rates for Future Retirees	Participant	Dependent
Medical	100%	100%
Life Insurance	100%	N/A
Medicare Part B	100%	N/A

SECTION X

SUMMARY OF PLAN PROVISIONS - MEDICAL BENEFITS

Covered Employees

SIGECO salaried employees age 50 prior to July 1, 1998. Only employees without 310 cash balance accounts are eligible for benefits under this plan.

Eligibility

Retirement on or after age 55.

Dependent Eligibility

Spouses and unmarried children under age 19 or a full-time student under age 23.

Premium Equivalent Rates (2010)

Pre-65	
▪ HDHP	$315
▪ Premium	$400
▪ Premium Plus	$438
Post-65	$339

Postretirement Contributions (2010)

Grandfathering

Employee contributions differ based on grandfathering eligibility indicators provided in the census data.

Employees

Grandfathering:	None	Semi	Full
Pre-65			
▪ HDHP	$0	$0	$0
▪ Premium	$36	$20	$0
▪ Premium Plus	$74	$56	$0
▪ Welborn Reg	$72	$20	$0
Post-65	N/A	N/A	$0

Future contributions for Non-grandfathered employees will be determined by the difference between medical coverage cost increases and inflation (CPI).

Spouses

100% of premium equivalent rate.

SECTION X

SUMMARY OF PLAN PROVISIONS - MEDICAL BENEFITS
(continued)

Pre-65 Benefits

Choice between two PPOs and HMOs. The Anthem Premium Plus PPO and Anthem HMO are shown below:

	Premium Plus PPO		HMO
	In-Network	Out-of-Network	
Deductible (single/family)	$250/$500	$500/$1000	None
Coinsurance	90%	70%	100%
Out-of-pocket maximum (single/family)	$1,500/$3,000	$3,000/$6,000	None
Prescription Drugs Co-pay			
Generic	$10	$10	$10
Brand	$15	$30	$15
Nonformulary	$25	$50	$25
Mail Order	2 x Co-pay	2 x Co-pay	2 x Co-pay

Post-65 Benefits

	Anthem Insured
Deductible (single/family)	$300/$600
Coinsurance	80%
Out-of-pocket maximum (single/family)	$1,500 per person
Lifetime maximum	$1,000,000
Prescription Drugs	80%
Coordination with Medicare Parts A & B	Carve-out

SECTION X

SUMMARY OF PLAN PROVISIONS - MEDICARE PART B BENEFITS

Covered Employees	SIGECO salaried employees age 50 prior to July 1, 1998. Only employees without 310 cash balance accounts are eligible for benefits under this plan.
Eligibility	Retirement on or after age 55.
Dependent Eligibility	Spouses are not covered.
Benefits	Reimbursement of Part B premium for retirees.
Postretirement Contributions	None.

SECTION X

SUMMARY OF PLAN PROVISIONS - LIFE INSURANCE BENEFITS

Covered Employees	SIGECO salaried employees age 50 prior to July 1, 1998. Only employees without 310 cash balance accounts are eligible for benefits under this plan.	
Eligibility	Retirement on or after age 55.	
Dependent Eligibility	Spouses are not covered.	
Benefits		
Current Retirees:	Coverage amounts ranging from $1,200 to $61,500 as shown in census data.	
Future Retirees:	$5,000	
Postretirement Contributions	Hoosier $1,000 of	$4.18 per month per benefit coverage
	All others	None.

AFFIRMATION

I affirm, under the penalties for perjury, that the foregoing representations are true.

By: Greg A. Foster
Indiana Office of
Utility Consumer Counselor

June 25, 2010
Date

Cause No. 43839